



A new reservoir for the South East

Market Briefing Document
March 2025

Thames Water Utilities Limited
Strategic Resources Options
(SRO) Directorate



Working with
AffinityWater



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Introduction

1 Introduction

1.1 Purpose of this document

- 1.1.1 Thames Water Utilities Limited's ("Thames Water" or "TW") Strategic Resource Options (SRO) portfolio forms part of a national programme of SROs, facilitated by Regulators' Alliance for Progressing Infrastructure Development (RAPID) and is designed to ensure the resilience of the UK's water supply in the event of a 1 in 500 years drought - in response to population growth, climate change and a need to reduce the amount of water abstracted from the environment.
- 1.1.2 Thames Water is currently developing a Procurement Strategy for the South East Strategic Reservoir Option (SESRO), part of its SRO portfolio. SESRO is being developed by Thames Water in partnership with Affinity Water and Southern Water under the RAPID SRO programme.
- 1.1.3 The project involves the construction of a new bunded reservoir with a capacity of up to 150Mm³ and a surface area of approximately 7km², situated to the South West of Abingdon in Oxfordshire. The reservoir will be filled with water from the River Thames in the winter, when there is plenty available. When river levels drop, or demand for water increases, water would be released from the reservoir back into the river for re-abstraction downstream. Further information about SESRO is available by following this [link](#).
- 1.1.4 As part of Thames Water's ongoing preliminary market engagement activities for the project, Thames Water will be hosting a SESRO Market Engagement Event for potential investors and suppliers on the 17 March 2025. Ahead of that event, this briefing document provides an overview of the developing procurement strategy for the project, which builds on market feedback from previous engagements and the ongoing development of the project.
- 1.1.5 To provide an opportunity for potential suppliers and investors to contribute their views on the proposed strategy, following the 17 March 2025 engagement event, Thames Water will issue a Market Sounding Questionnaire (MSQ). The MSQ will be available online [here](#), following the event and we ask that completed submissions are made by 15 April 2025.
- 1.1.6 A key purpose of this market engagement is to communicate and inform the approach being taken to the SESRO procurement; further understand supplier interest in the opportunity; and further develop the emerging contractual terms. Given this purpose, your views are important to Thames Water, and we encourage and welcome your feedback at this key moment for the market to inform the procurement process and the finalisation of the SESRO procurement strategy.
- 1.1.7 Previous market engagement documents for SESRO are available upon request. The standard gate two submission for SESRO (Strategic regional water resource solutions: detailed feasibility and concept design) can be found [here](#).

1.2 Important Notes

- 1.2.1 All aspects of the SESRO Procurement Strategy remain under consideration by Thames Water, and the views of the market will assist in the further development of the strategy.
- 1.2.2 The information presented in the Heads of Terms "Term Sheet" in Appendix A is in the course of development. We continue to work closely with stakeholders to ensure that the final Term Sheet that will be issued as part of the SESRO MWC procurement documents reflects their views (as is required under SIPR), as well as those of the market. Following the 17 March 2025 Market Engagement event, your views are being sought through a market sounding questionnaire, which we hope you will participate in.
- 1.2.3 All responses to this market consultation will be carefully considered but will not bind Thames Water to any approach. Thames Water will not deem suppliers participating in this market engagement exercise to have been put at an unfair advantage.
- 1.2.4 This briefing and questionnaire are not a call for competition. Any expenditure, work or effort undertaken by your organisation in relation to this consultation exercise will not be reimbursed by Thames Water.



Background

2 Background

2.1 Strategic Resource Options (SRO) Context

- 2.1.1 Following submission of the National Infrastructure Commission report 'Preparing for a Drier Future, England's Water Infrastructure Needs' in 2018, RAPID was established to help accelerate the development of new water infrastructure and design future regulatory frameworks.
- 2.1.2 The RAPID joint team is made up of the three water regulators Ofwat, the Environment Agency and Drinking Water Inspectorate. It oversees the Strategic Resource Options (SRO) Programme, identifying where and how water could be transferred to areas of water deficit in England. The South East Strategic Reservoir Option (SESRO) is part of the SRO programme and has since been confirmed as part of the Ofwat PR24 Final Determination.
- 2.1.3 As the lead developer of the project, Thames Water has established a dedicated SRO directorate which is focused on long-term strategic projects for Thames Water and has responsibility for the development and delivery of the SESRO project. The SRO team's extensive major projects experience, from the successful Tideway Tunnel delivery and other major infrastructure projects, has been supplemented by the appointment of an SRO Programme Partner and Technical Partner to support the development of the new reservoir.

2.2 SESRO Funding Journey

- 2.2.1 Last August, the Government approved our Water Resource Management Plan, which sets out our strategy to provide a secure and sustainable supply of water for the next 50 years and beyond. This includes the needs case for a new reservoir in Oxfordshire.
- 2.2.2 In January, Rachel Reeves (Chancellor of the Exchequer) delivered her 'kickstarting growth' speech, committing to unlocking £7.9bn investment for water companies over the next five years, to improve water infrastructure and provide a foundation for growth. The Chancellor backed nine new reservoirs across the country, specifically referencing SESRO among them.
- 2.2.3 Ofwat has permitted investment to progress several of our Strategic Resource Options, including the new reservoir. Ofwat's 2024 price review final determination allocates funding for the development of the reservoir between 2025-30. Development expenditure includes design works, acquiring land rights necessary for delivery, enabling works, and any interface works to be completed in the 2025-30 period.
- 2.2.4 Thames Water propose delivering SESRO via an Infrastructure Provider (IP) who would be appointed following competitive tender under the Specified Infrastructure Project Regulations (SIPR). This is the same model that has been used for the

Thames Tideway Tunnel - which completed commissioning and was brought fully online in February 2025 - demonstrating the success of the project.



Figure 1 - Completed Thames Tideway Tunnel

The successful IP will be responsible for the design, build, finance (and potentially some maintenance activities) of the reservoir, and Thames Water will operate the reservoir as part of its network.

2.3 Planning and Consents

- 2.3.1 Thames Water, working with its partners and a wide range of stakeholders, is progressing plans to secure the consents necessary to construct the SESRO project. The process Thames Water must follow is outlined below.
- 2.3.2 SESRO is classified a Nationally Significant Infrastructure Project (NSIPs). The Planning Act 2008 established the legal framework for applying for, examining, and determining applications for NSIPs. Under the 2008 Act, a Development Consent Order (DCO) is the means of obtaining permission to construct and maintain developments categorised as NSIPs.
- 2.3.3 Applications for development consent for NSIPs are submitted to the Planning Inspectorate, a government agency responsible for advice and decisions on a range of land use planning-related issues. The Planning Inspectorate will make a recommendation on the application and the decision will be made by the Secretary of State for the Environment, Food and Rural Affairs.

- 2.3.4 If granted, the DCO will confer many of the necessary consents and powers to enable the project to proceed, including planning permission, compulsory acquisition powers and authority to undertake works that affect roads, streets and utilities.
- 2.3.5 The DCO process provides opportunities for relevant stakeholders to have their say on the proposals before a final decision is made by the Secretary of State. Before formally applying for a DCO, Thames Water must carry out public consultation and consider feedback.
- 2.3.6 In addition to its core purpose of storing and supplying water, the SESRO project has the potential to provide a new place for people to visit and enjoy, with accessible green and blue spaces for leisure and recreation, and opportunities for art and culture, whilst recognising the heritage and landscape character of the area.
- 2.3.7 Thames Water has begun early conversations with stakeholders and local people about the potential opportunities the reservoir could provide, including asking over 1,000 people, who live in close proximity to the reservoir site and from across the wider South East, about their attitudes to the reservoir and what activities and facilities they would like to see at the site.
- 2.3.8 Overall, the majority of people support the development of the proposed reservoir and Thames Water has considered the feedback of stakeholders and local people in the emerging design. People told us that they are keen for the proposed reservoir site to include a wide range of activities. These include places to enjoy nature, relax with family, opportunities for wildlife and bird watching, walking and running trails, and a cafe and restaurant facilities.
- 2.3.9 During summer 2024, Thames Water held a 12-week non-statutory consultation reaching out to 70,000 stakeholders to gather feedback from the community on the SESRO interim masterplan and our infrastructure options. This consultation received over 1,500 responses, further informing Thames Water on the community's opinion on the project.
- 2.3.10 Thames Water wants to continue these conversations, making sure all stakeholders and local communities are involved in the development of the design of the reservoir site, so it reflects local preferences as far as possible and provides additional value to the local area. Ahead of the statutory consultation process, Thames Water will be providing further information later in 2025 where we will set out our response to the feedback received through the consultation conducted in the Summer of 2024.

2.4 Sustainability Strategy

- 2.4.1 In delivering SESRO, Thames Water will ensure that sustainability is embedded across the lifecycle of the project. The Thames Water SRO Sustainability Strategy establishes seven sustainability priorities which are provided in Table 1 below.

Table 1 - SESRO Sustainability Strategy

Priority	Strategy
Protect Water Resources	Deliver a resilient and high-quality water supply, support river and catchment health and use water efficiently.
Deliver climate resilience	Identify climate risks and deliver a resilient project which is adaptable to climate change and other future challenges.
Support carbon net zero	Minimise carbon emissions across the lifecycle of our projects to support Thames Water's carbon net zero pathway ambitions.
Use resources efficiently and minimise waste	Apply circular economy principles to support resource efficiency, productivity and decarbonisation.
Enhance the environment	Adopt sector leading approaches to aim beyond compliance and achieve environmental net gain.
Create positive social outcomes	Support an inclusive, healthy and skilled society through proactive engagement with our customers, community & workforce.
Deliver economic value	Deliver value through balanced decision making, effective supply chain engagement and adopting innovative solutions.

2.4.2 A SESRO Sustainability Strategy is being developed under this framework of sustainability priorities. This will include initiatives to enhance environmental and social outcomes across design, construction and operation phases and Thames Water will be seeking engagement with the market to identify and develop sustainable opportunities and solutions such as:

- Opportunities to minimise land disturbance, environmental and biodiversity impacts
- Alignment to carbon management principles outlined in PAS2080:2030 – Carbon Management in Buildings and Infrastructure.
- Material efficiency, reuse of spoil, products and materials, responsible sourcing and selection of low carbon and recycled materials.
- Energy and water efficiency opportunities.
- Use of alternative (non-diesel) fuel for earthworks and other activities.
- Engagement in and support for employment, skills, training and apprenticeship development initiatives.
- Support for community wealth building principles including engagement with, and provision of opportunities for local businesses and suppliers.
- Engagement in outreach and education initiatives to raise awareness and build positive relationships with young people and the local community.
- Identify and deliver positive community legacy outcomes in line

- Sustainable transport solutions for materials, construction traffic and personnel.
- Sustainable site accommodation.
- Opportunities to minimise disturbance to local communities.
- with corporate objectives and seek opportunities more widely.
- Partnerships to enable and enhance sustainable outcomes.
- Sustainability management, metrics and reporting.

2.5 SESRO Site Activity

- 2.5.1 Activity has begun at the SESRO site to support and inform the development of the project, commencing in August 2024, Thames Water has been conducting Clay Compaction Trials at the site. The first phase of the work requires the excavation of a pit approximately 10m deep into the Kimmeridge Clay. The material will then be used to create a series of test embankments, up to three metres in height, which will be analysed to understand how the strength and water content of the local clay changes when compacted.



Figure 2 - SESRO Clay Compaction Trial site

- 2.5.2 The trial will play a crucial role in informing the design of the 10km of new embankments which would create a watertight perimeter around the reservoir. Current designs propose that the gradual outer slopes would be covered by grassland and pasture, new woodlands, paths and hedgerows.
- 2.5.3 Thames Water has also begun archaeological assessment works which involve excavating several shallow trenches, in fields around the site.



Delivery Approach

3 Delivery Approach

3.1 Development phase

- 3.1.1 Thames Water is leading the development of the new reservoir project in partnership with Affinity Water and Southern Water and is responsible for delivering the development phase, developing the commercial model for the project and for running the procurement processes to appoint the project's Main Works Contractor (MWC) and later, the Infrastructure Provider (IP).
- 3.1.2 Thames Water is proposing to procure the project under the Specified Infrastructure Project Regulations, or SIPR, first established for the Thames Tideway Tunnel project. Under this approach a new regulated entity, known as an Infrastructure Provider (IP) would be established to finance and deliver the project, holding a Project Licence granted by Ofwat. Procurement under SIPR is subject to the project's specification, currently under development between Thames Water and Ofwat.
- 3.1.3 Following the approach taken on the Thames Tideway Tunnel, Thames Water plans to separately procure the project's MWC and the IP. This strategy allows each procurement process to be tailored to deliver optimal value.
- 3.1.4 Thames Water proposes to utilise an Early Contractor Involvement (ECI) strategy for the procurement of the MWC. Under this approach, the MWC can be brought into the project earlier in the development stage using a two-stage contract.
- 3.1.5 The MWC designs and builds SESRO to the requirements of its contract. In Stage One of the ECI contract, Thames Water is the Client and the MWC is responsible for elements such as DCO examination support, design development, construction planning and the like. Following the completion of all conditions precedent, such as agreement of proposals, agreement of the target price, DCO granted and the issue of a Notice to Proceed the MWC ECI contract can be novated to the IP. From the point of novation, the IP becomes the MWC's Client and contract counterparty, administering the MWC's ECI contract throughout Stage Two and making payments to the MWC accordingly.
- 3.1.6 In parallel to the consenting process and the procurement of the MWC, Thames Water will develop a best-in-class client delivery organisation, or 'future IP', complete with the leadership, people, systems and processes required to deliver the project. At (or before) financial close and the designation of the IP by Ofwat, the MWC contract and Future IP organisation will be transferred to the successful bidder of the IP procurement, providing it with the resources necessary to deliver the project. The successful IP bidder will be designated as the IP by Ofwat and will provide the financing required to deliver the project.

- 3.1.7 The IP capital raise will be timed to conclude after the project has achieved the necessary consents under the DCO process. The IP capital raise process will focus on competition for the cost of capital to finance the project.
- 3.1.8 At System Acceptance (the completion of the commissioning process), Thames Water will assume responsibility for certain assets required to control the flow of water through SESRO, i.e. the conveyance system which connects SESRO to the River Thames. From this point, the IP's operational responsibility will be limited to the maintenance of the civil infrastructure.

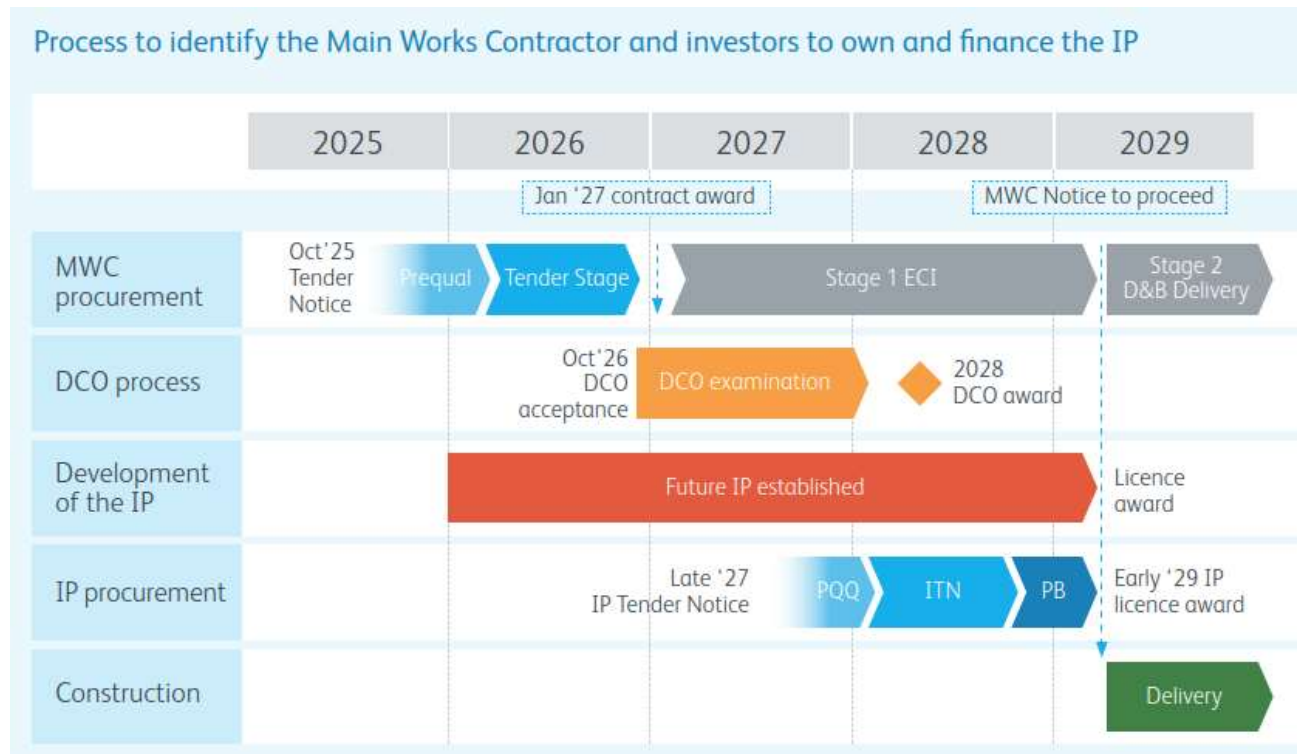


Figure 3 - Indicative timeline for MWC and IP procurements

Refer to Appendix C for an enlarged version of Figure 3.



Infrastructure Provider (IP)

4 Infrastructure Provider (IP)

4.1 Investment Proposition

4.1.1 Thames Water has sought to design an attractive, utility-style investment proposition for the IP, which is summarised in Table 2.

Feature	Key propositions
Split procurement	<ul style="list-style-type: none">• Construction and finance procured separately, as per TTT• MWC awarded a target price construction contract• The IP procurement follows a fast and efficient M&A-style process
Early Contractor involvement (ECI)	<ul style="list-style-type: none">• Construction procurement takes place early in the development phase• During the ECI phase, the MWC will plan support the DCO, develop its target price and plan for delivery.• Delivery risks will be well-understood and managed
Established client organisation	<ul style="list-style-type: none">• Thames Water will establish and resource a best-in-class client organisation prior to the procurement of the IP “the future IP”• The future IP will be transferred to the winner of the IP procurement.• The successful IP I bidder will receive all the contracts and capabilities needed to complete the project
Operational responsibility for civils	<ul style="list-style-type: none">• Thames Water will assume responsibility for managing water supply from SESRO• The assets used to control the flow of water through SESRO will be transferred to Thames Water at System Acceptance.• The IP’s operational responsibility will be limited to the maintenance of the civil infrastructure
Project licence	<ul style="list-style-type: none">• The IP will be granted a project licence by Ofwat• The licence will capture the IP’s responsibility to deliver, finance and maintain SESRO, and its rights to allowed revenue.• The SIPR approach, with a licensed IP, builds on an established, proven and successful precedent model – the Thames Tideway Tunnel.
Allowed revenue	<ul style="list-style-type: none">• The IP’s allowed revenue will be calculated using the established ‘building blocks’ approach used for Tideway and other water utilities.

Feature	Key propositions
	<ul style="list-style-type: none"> • The IP's allowed revenue will be based on its Regulatory Capital Value (RCV, also known as a Regulatory Asset Base, or RAB), indexed at CPI-H. • The IP will earn allowed revenue during construction, allowing a yield.
Regulated by Ofwat	<ul style="list-style-type: none"> • The IP's allowed returns will be fixed during an initial 'Bid WACC' period, likely covering construction, commissioning and an initial period of operations. • After the Bid WACC period, the IP's allowed revenue will be set at regular price controls. • The IP's licence and allowed revenues are supported by a mature regulatory regime which is well-known to investors.

Table 2 - SESRO IP proposition

4.1.2 At this stage in the development phase, Thames Water seeks market feedback on the key features of the proposition. Following the market engagement event on 17 March 2025, event, Thames Water will release a market sounding questionnaire to obtain written feedback from the market.

4.1.3 Based on the questionnaire responses received, Thames Water may then invite some respondents to a one-to-one discussion to obtain further market insight.

4.2 IP capital raise process

4.2.1 The objective of the IP capital raise process will be to identify those best able to assume the role of a licensed Infrastructure Provider and to finance the works at a competitive cost of capital.

4.2.2 As illustrated in Figure 4, the IP process will be timed such that consents will have been achieved before final bids are submitted, giving confidence to investors that the project will be able to proceed into delivery once financial close has been achieved.

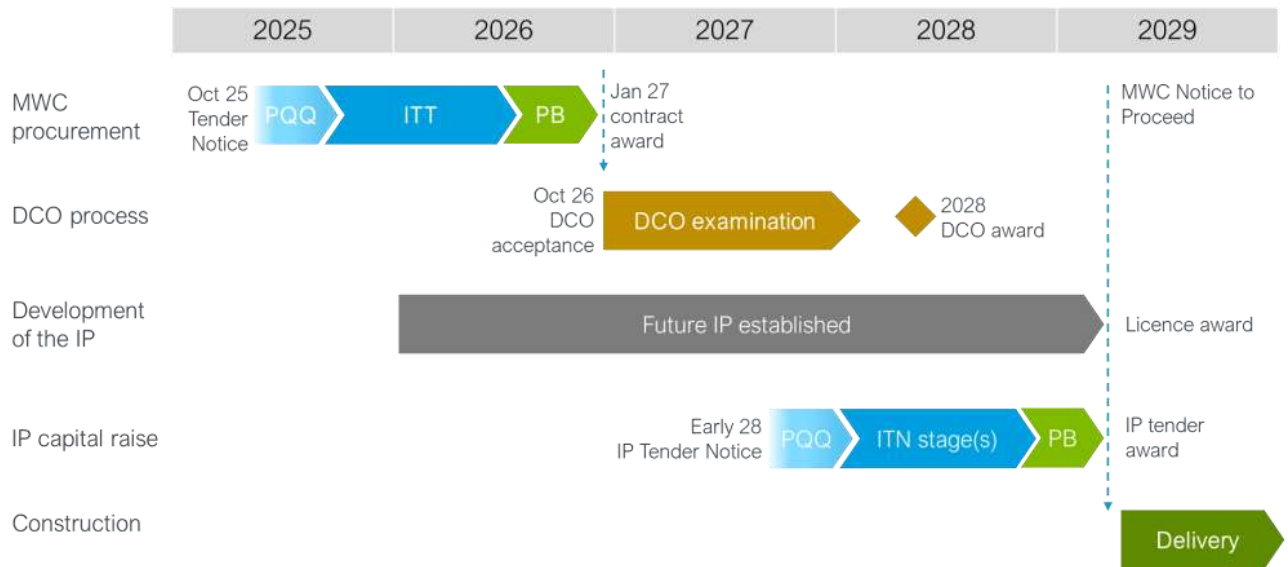


Figure 4 - Timing of the IP capital raise

Refer to Appendix C for an enlarged version of Figure 4

- 4.2.3 The IP capital raise process will have features similar to an M&A process for the acquisition of a business. An indicative illustration of this process is provided in Figure 5

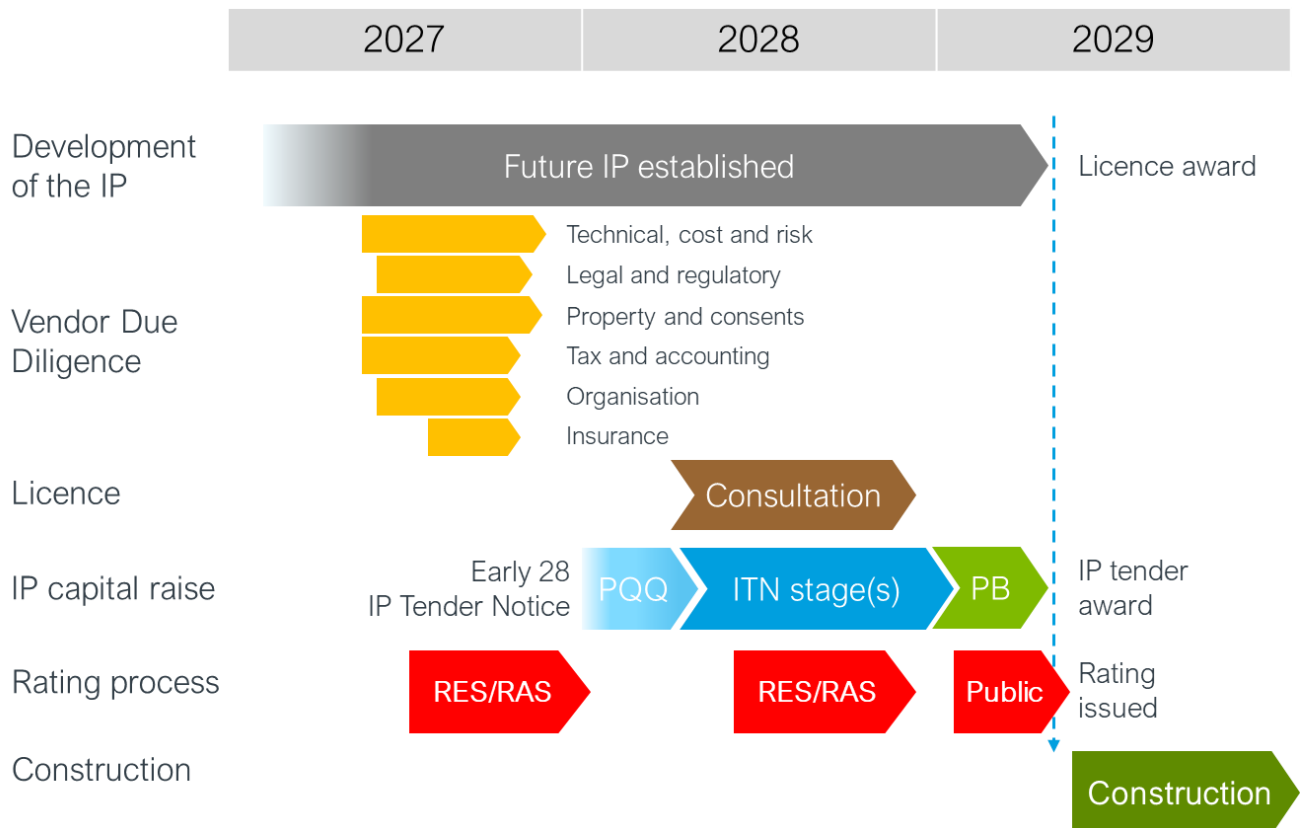


Figure 5 - Indicative illustration of the IP capital raise process

Refer to Appendix C for an enlarged version of Figure 5

4.2.4 The key features and elements of the IP capital raise process are summarised below:

- Ahead of Tender Notice, Thames Water will appoint a MWC and develop a fully resourced “Future IP” client delivery organisation, both of which will be transferred to the winning bidder of the process.
- Thames Water will also undertake extensive vendor due diligence across different aspects of the project, giving prospective investors the information necessary to inform the development of their tender submissions.
- Thames Water will engage with the credit rating agencies ahead of Tender Notice with a view to obtaining an indicative rating for the project, based on the commercial model, risk allocation and an assumed financing structure.
- The process itself will involve pre-qualification and at least one tender stage. It is expected to take a little over 1 year to complete – from Tender Notice through to Financial Close.
- The process also allows for a period of consultation, likely with qualified bidders, on the terms of the project licence and the other arrangements in the commercial structure.

4.3 IP payment counterparty (lead party)

- 4.3.1 The IP will have a right to allowed revenue, calculated according to the terms of the licence it will be granted by Ofwat.
- 4.3.2 The IP’s revenues will be recovered from customers across the South East of England who benefit from the project and the supply resilience it provides.
- 4.3.3 Under the proposed counterparty arrangements, illustrated in Figure 6 below, Thames Water will be the IP’s single counterparty (the “lead party”) under a Revenue Agreement.
- 4.3.4 Thames Water will recover a portion of the IP’s allowed revenue from its customers and will receive the remainder from Southern Water and Affinity Water via Bulk Supply Agreements.

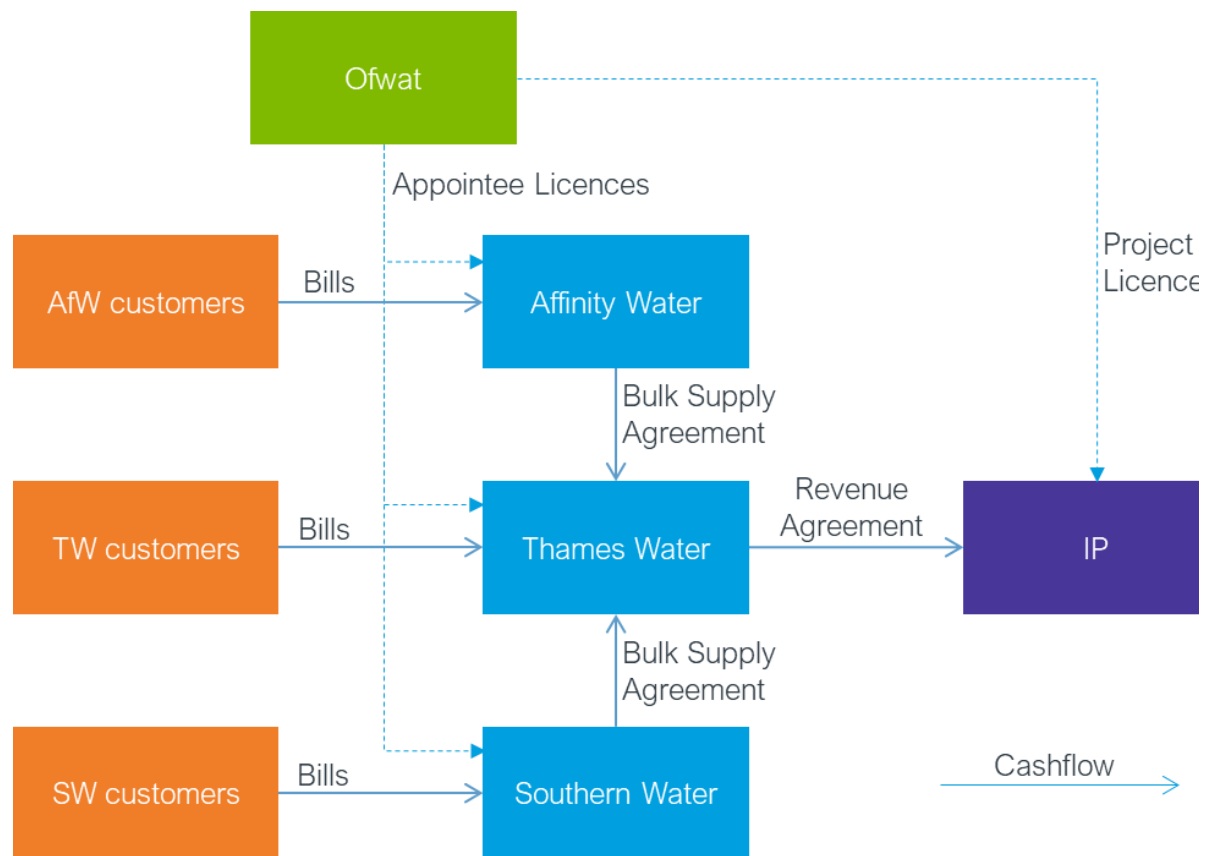


Figure 6 - Illustration of cash flows to the IP

Refer to Appendix C for an enlarged version of Figure 6



Main Works Contractor (MWC)

5 Main Works Contractor (MWC)

5.1 MWC scope

- 5.1.1 This section sets out the proposed technical scope of works for the SESRO MWC.
- 5.1.2 SESRO will involve the construction of a new reservoir with a capacity of 150Mm³ and water surface area of approximately 7km², situated to the South-West of Abingdon in Oxfordshire.
- 5.1.3 To deliver the reservoir, watercourse diversions and replacement floodplain storage are required. A conveyance system must be implemented to transport water to and from the river Thames, and to the interface points with Thames to Southern Transfer (T2ST) and Farmoor Raw Water Internal Transfer.
- 5.1.4 Other associated infrastructure must be delivered, including roads, rail sidings, recreational facilities, utilities diversions, renewables and power supplies and drainage. Figure 7 below illustrates the current proposed masterplan for SESRO. The following sections, 5.2 – 5.5, provide further detail on specific scope elements. It should be noted that the project is subject to further engagement, consultation and technical / design development.

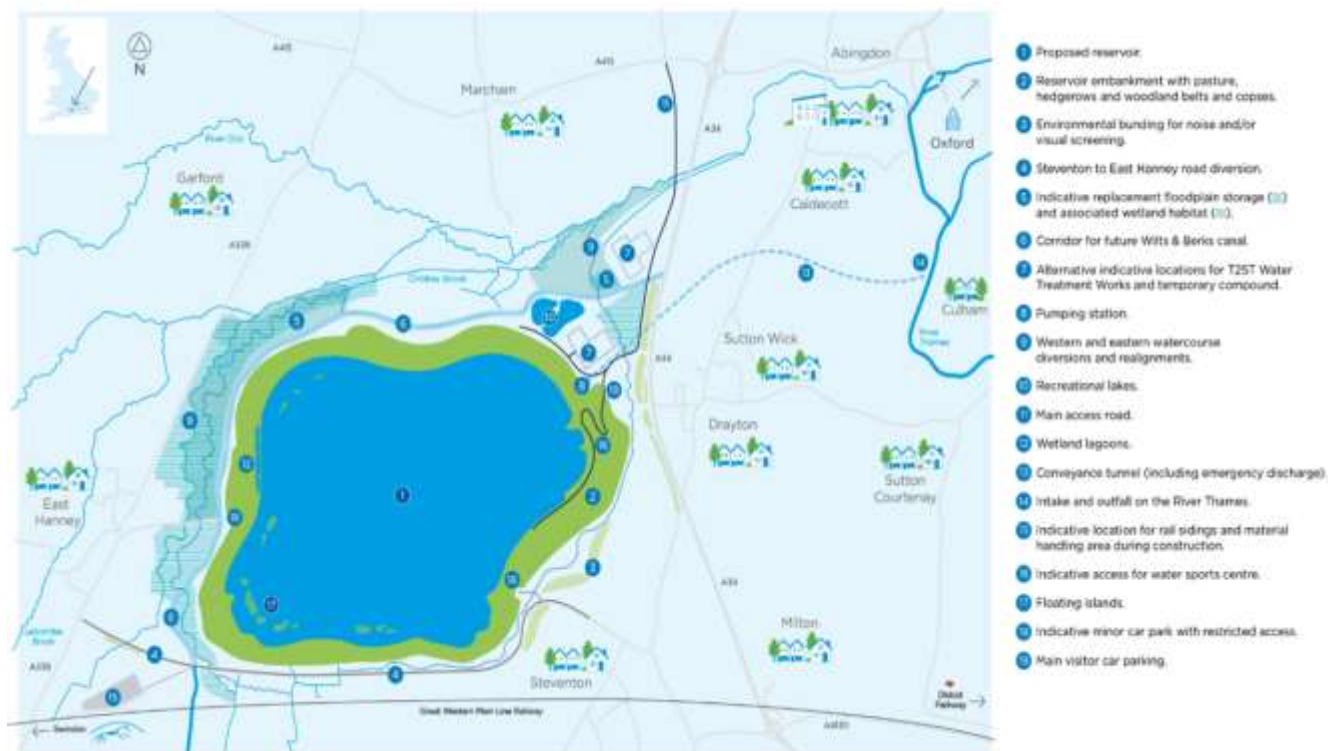
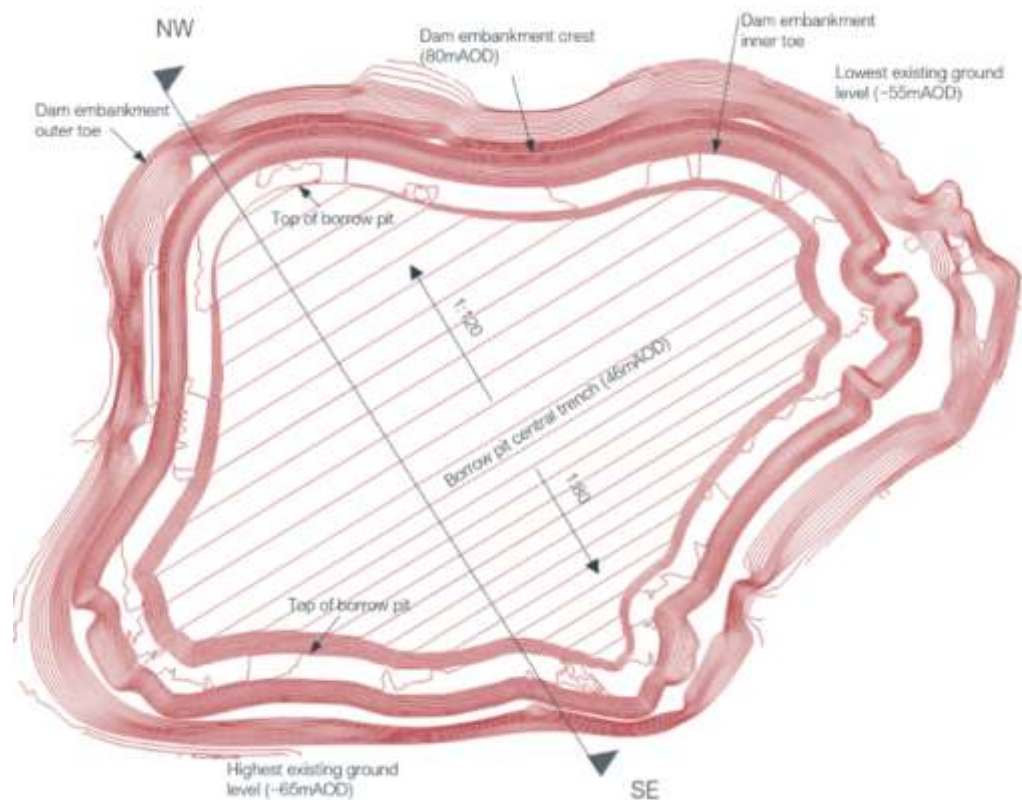


Figure 7 - Indicative map of SESRO reservoir and associated assets and infrastructure

5.2 Reservoir

- 5.2.1 The reservoir will be a new, fully bunded raw water reservoir with a capacity of 150Mm³ of live storage and c.8Mm³ dead storage.
- 5.2.2 The reservoir's embankment height will vary between 15m and 25m. It will have a crest length of 10.7km and a water surface area of approximately 7km², as shown in Figure 8.
- 5.2.3 The design for the reservoir is being developed by dam engineers with extensive experience and in compliance with the Reservoirs Act 1975, which provides a legal framework to ensure that large, raised reservoirs are properly designed and constructed.

Figure 8 - Indicative contour plan for the reservoir embankment and borrow pit



5.3 Watercourse Diversions and floodplain storage

5.3.1 The reservoir will cut across existing rivers and surface drainage ditches and will therefore require watercourse diversions on the east and west sides to maintain waterway connectivity:

- East: A 6km watercourse diversion beginning south of the reservoir and flowing east and then north into a realigned section of the river Ock.
- West: A 6.2km watercourse diversion and the replacement of approximately 4km of the existing East Hanney Ditch Flood Compensation Area.
- Earthworks for the canal safeguard corridor: For 8km of the Wilts & Berks Canal.

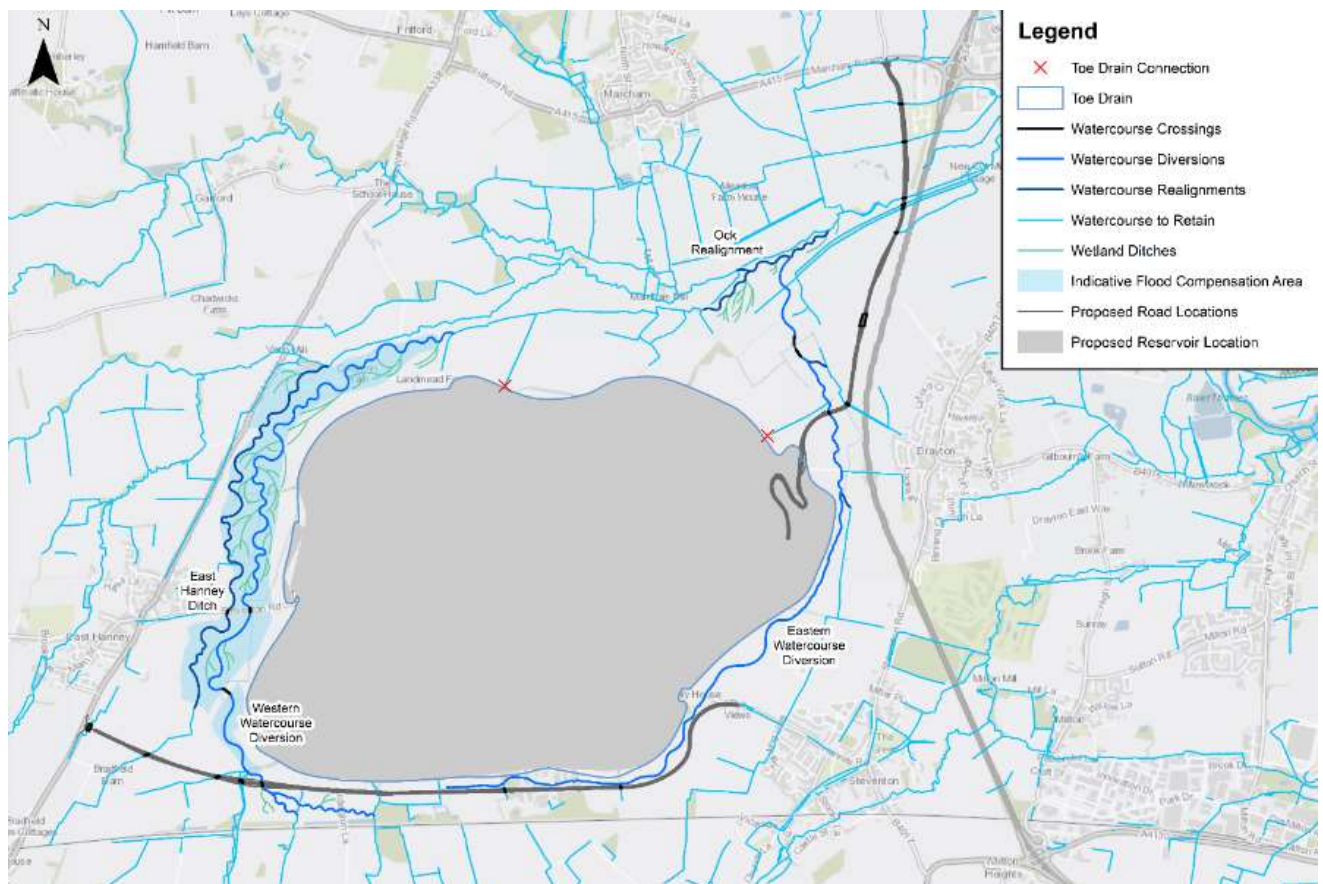


Figure 9 - Indicative alignment of watercourse diversions and wetland ditches

5.4 Conveyance System

- 5.4.1 A conveyance system will be required to abstract flows from the river Thames to fill the reservoir and to release supply, either back into the river Thames (for re-abstraction downstream) or via pipeline transfer to the T2ST Water Treatment Works (WTW) and Thames Water's Farmoor Reservoir.
- 5.4.2 The conveyance system is illustrated in Figure 10 and its components are described below.
- A River Intake/Outfall Structure on the right bank of the river Thames near Culham.
 - A 3.5km long, 6m diameter River Tunnel, connecting the river intake/outfall structure and the pumping station. The tunnel would be constructed using a Tunnel Boring Machine (TBM) with a segmental lining, with the ~1km at the eastern end requiring a secondary lining (reducing the internal diameter to 5.5m).
 - A Pumping Station structure on the north-east side of the reservoir

containing:

- Pumps for filling the reservoir and pumping flows to the T2ST WTW and Farmoor Reservoir; and
- Turbines for energy recovery during periods when the reservoir releases water to the river Thames.
- A 450m long, Reservoir Tunnel. Main and Secondary Reservoir Inlet/Outlet Towers and Connection Culverts.
- An air diffuser network or Recirculation Pumping for reservoir mixing.

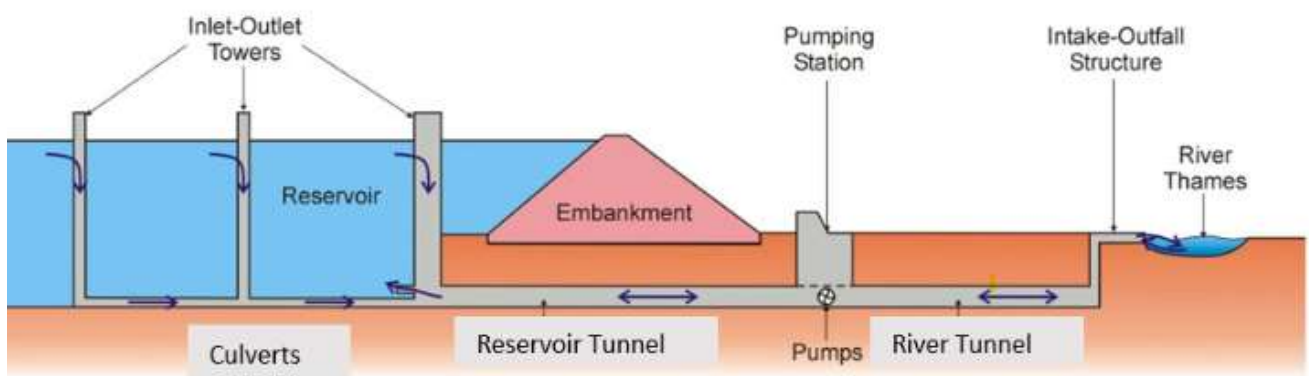


Figure 10 - Conveyance system schematic (not to scale)

5.5 Associated Infrastructure

5.5.1 Additional infrastructure will be required for the construction and operation of SESRO. This will include:

- A 4km long main access road from the A415 to reach the pumping station and the MWC's compound during construction. Please note that, at the time of the preparation of this briefing document, Thames Water and the EA are engaged in discussions around the potential use of the access road as a flood defence. If the access road is to be used for this purpose, the ownership, control and maintenance of the access road will need to be considered to ensure that an appropriate allocation of responsibilities.
- Diversion of the Steventon to East Hanney Road.
- A temporary rail siding and material handling area to facilitate delivery of construction materials by freight train.
- Utility diversions, including electricity, gas, telecoms and water.

- Power supply and Renewables, required for both construction and operations.
- Commercial and Recreational facilities, potentially including public education facilities, landscaping and creation of aquatic/grassland habitats.
- Foul water drainage for buildings located on site

5.6 Enabling Works

- 5.6.1 Thames Water may undertake certain enabling works, where this offers benefits (subject to funding and consent) and will further develop its approach to enabling activities based on the Gate 3 design, ahead of SIPR specification in 2025. Thames Water can commission the MWC to deliver further enabling works and surveys in ECI Stage One covered in section 6.11

5.7 Construction Programme

- 5.7.1 The SESRO project's works are expected to require 8 years to deliver the construction and a further 2 years to commission and fill.

Year 1	Enabling works	Non-intrusive works, including ecology and archaeology, utility diversions.
Year 2	Site mobilisation	Site clearance, site compound construction. Waterway diversions, floodplain diversions, rail sidings and access roads constructed.
Year 3	Main work starts	Waterway diversions, floodplain diversions, rail sidings, access roads completed. Hanney Road realignment construction begins. River outfall and intake works, tunnel works, earthworks begin.
Year 8	Main work complete	Reservoir embankments complete. Construction of public and recreational facilities begins.
Year 9	Commissioning	Supporting infrastructure, for example pumping station, commissioned. Reservoir filling begins.
Year 10	Filling and demobilisation	Reservoir filling continues. Main construction compound removed from site and land reinstated. Landscaping and public facilities completed.
Year 11	Reservoir open and operational	Reservoir will be full. Facilities open to the public.

Figure 11 - Indicative construction timeline



MWC Commercial and Procurement Strategy

6 MWC Commercial and Procurement Strategy

6.1.1 Thames Water are developing the Commercial and Procurement Strategy for SESRO and as the Lead Party, Thames Water will assume responsibility for defining the terms of the arrangements agreed with the MWC, which will later be novated to the IP. This section therefore considers:

- The packaging strategy for the main works
- The tender process and potential technical and commercial evaluation criteria
- The use of a Target Price contract for the main works
- The proposed use of Early Contractor Involvement (ECI)
- Design roles and responsibilities at each ECI stage.
- The incentivisation strategy

6.2 Packaging Strategy

6.2.1 Thames Water, after considering market feedback, is proposing to utilise a single contract package that encompasses all the design and main construction works necessary to deliver the SESRO project. The future arrangements with the IP were considered in our preferred packaging approach.

6.2.2 This packaging strategy does not preclude tenderers forming Joint Ventures (JV) or consortia, appointing specialists where required, or involving smaller organisations in the supply chain to help it deliver the scope of works.

6.3 Procurement Process

6.3.1 The MWC Procurement Schedule is still in development and its finalisation is subject to internal developments and regulatory approvals. The current proposed procurement schedule is outlined in Table 3 below.

Table 3 - Procurement schedule

Procurement Schedule Milestone	Date	
Issue Tender Notice (ITN)	October 2025	2025
Prequalification Period (Submission Deadline)	November 2025	
Notification of Tender List	March 2026	2026
Issue Tender Pack to Shortlisted Tenderers	April 2026	
Tender Submission	June 2026	
Contract Award Notification	December 2026	
ECI Checkpoint Completed	January 2028	2028

DCO Grant	April 2028	
Notice to Proceed to Stage Two	May 2029	2029

6.4 Competitive Flexible Procedure

- 6.4.1 Thames Water will procure the SESRO MWC contract in accordance with the Procurement Act 2023, and is proposing to use the Competitive Flexible Procedure. This procedure will comprise of a Prequalification stage (to arrive at a tender list), a Tender stage and optionally a Negotiation/Final Tender Stage (at Thames Water's discretion). The procedure will commence with a Tender Notice planned for publication in October 2025.

6.5 Prequalification Stage

- 6.5.1 Thames Water is proposing to use a Prequalification stage for the SESRO MWC procurement in order for applicant organisations to express an interest in tendering for the Project and for Thames Water to assess applicants capability and capacity.
- 6.5.2 The assessment will enable Thames Water to identify those suppliers (whether single or group applicants) with the appropriate credentials and delivery experience and reduce the number of interested applicants to a shortlist of circa four (4) tenderers (subject to market appetite).
- 6.5.3 Applicants will be required to respond to a Procurement Specific Questionnaire (PSQ) which will be comprised of the following:
- Eligibility checks to be undertaken using supplier information downloaded from the Government's Central Digital Platform (Applicants are responsible for ensuring that the Central Digital Platform contains complete, accurate and up to date information about their organisations)
 - Legal and financial capacity
 - Technical standards based upon Build UK's Common Assessment Standard
 - Scored technical ability questions based upon experience of delivering similar works
- 6.5.4 The Prequalification stage will precede the Tendering stage and will begin in October 2025.

6.6 Tender Stage

- 6.6.1 The MWC Tender stage is planned to commence with publication of the ITT to shortlisted Tenderers in April 2026.
- 6.6.2 When Thames Water invites tenders, the contract Scope will be complete, setting out the SESRO requirements, specification, constraints and the like. The constraints may change as the DCO design passes through examination but a procedure for dealing with any such changes has been developed. This procedure

is entitled “the Pricing Information” and is available as part of this briefing pack at Appendix B.

6.7 Evaluation Criteria

- 6.7.1 Table 4 below sets out the potential technical and commercial criteria which will be focused on to evaluate bids in the MWC ECI tender process. The list will be refined prior to publication of the ITT.

Table 4 - Potential evaluation criteria

Technical Criteria	Commercial Criteria
<ul style="list-style-type: none"> • Technical approach to constructability; delivery methodologies and approach to construction logistics in the DCO examination phase • Key resources for each phase. • Approach to Health, Safety and Wellbeing • Approach to working with local public / stakeholders in ECI and DCO examination • Approach to providing support during the DCO examination • Methodologies for critical and complex activities (e.g. earthworks) • Supply chain / materials sourcing plans / approach to building the supply chain early on and engagement with Tier 2 contractors. • Approach to maturing a construction programme • Approach to interface management • Approach to risk identification, management and mitigation • Approach to mitigating environmental impact • Approach to Social Value • Use of technology in delivery • Approach to value engineering and efficiency generation. 	<ul style="list-style-type: none"> • Fee percentage • Staff rates for Stage One • Tendered ‘Preliminary Prices’ in the form of rates against a Schedule of Quantities. Note that these will be subject to change in Stage One in accordance with the Pricing Information – see (Appendix B)

- 6.7.2 These criteria will be refined and developed for issue in the ITT and used to identify the most advantageous tender.

6.8 Contract Form

- 6.8.1 Thames Water is proposing a target price contract for the MWC, using the NEC4 ECC Option C Target Cost Contract with Activity Schedule with Secondary Option X22 Early Contractor Involvement selected. The MWC will be reimbursed its defined costs (plus a fee), together with an incentive paid at completion, calculated by comparing the target price with the outturn cost. Other incentives may be applied during ECI Stage One and at completion of ECI Stage Two.
- 6.8.2 The draft proposed Heads of Terms for the MWC package are included in Appendix A. Thames Water are seeking market feedback on the draft Heads of Terms in a Market Sounding Questionnaire to be issued following the 17th of March 2025. It is advisable to review the Heads of Terms “Term Sheet” prior to completing the questionnaire.

6.9 Early Contractor Involvement (ECI)

- 6.9.1 Thames Water is proposing to use ECI in the MWC contract under secondary option X22. ECI would involve the MWC earlier in the project’s development, giving them an opportunity to work collaboratively alongside the client over a 12 – 18 month period alongside the DCO process, as compared to a “traditional” single stage approach of receiving a tendered target price following the DCO consent and prior to the start of construction, which limits such opportunities.
- 6.9.2 ECI is an option available under an NEC4 ‘Target Price’ contract, and involves a two-stage process which can be summarised as follows:
- Stage One: Following tender and contract award, the MWC supports the DCO process, develops the design to plan for delivery, identify and mitigate risk and value opportunities, and to develop a Target Price accordance with the Pricing Information. Further detail are:
 - The MWC’s Target Price developed in collaboration with the Client up to a defined checkpoint during Stage One at which time a decision is taken to instigate a fall-back tender strategy used in the event that the Target Price is not acceptable to Thames Water. Tendering organisations may be offered a place on a framework that is put in place on conclusion of the Tender stage. This framework would likely be the route to market to facilitate the fall-back tender strategy.
 - Notice to Proceed (NTP): The decision point where Thames Water can accept or reject the MWC’s proposals developed during Stage One, including the Target Price. If accepted the MWC will proceed to delivery in Stage Two after the first stage. The timing of the NTP is directly linked to the conclusion of the IP financing competition.
 - Stage Two: the MWC completes the detailed Construction Design and delivers the works.

6.9.3 The characteristics and anticipated activities in Stage One and Stage Two of the ECI contract are captured in Table 5 below:

Table 5 - Details of activities during ECI Stage One and Stage Two

Activity	Stage One	Stage Two
Period of the MWC 's activity	Start of DCO Examination to NTP.	Post DCO acceptance and after the NTP is issued.
Principal Activities of the MWC	Support Thames Water and the Technical Partner until DCO decision including development of the DCO Reference Design for construction, the construction programme and development of the Target Price for acceptance	Delivery of works through to Completion
Form of contract	NEC4 Engineering and Construction Contract (ECC) with X22 (NEC4 Engineering and Construction Contract (ECC) with X22
Client / employer	Thames Water	Infrastructure Provider (IP)
Construction Design & Management (CDM) responsibilities held by the MWC	<ul style="list-style-type: none"> • Principal Designer for the Construction Design leading up to agreement of Target Price. • Principal Contractor for any allowed non-invasive pre DCO activity / surveys as instructed by Thames Water • Supporting the DCO examination process with construction advice. • Developing solution optimisation proposals and submitting for acceptance • Enabling works. 	Principal Designer for the Construction Design Principal Contractor for whole site
Incentivisation (potential)	Outcome based: Performance against Key Performance Indicators (KPIs) in the form of achieving deliverables at Verification Points.	Budget incentive Target Price incentive

6.10 Client Transition from Stage One to Stage Two

6.10.1 As highlighted in Table 5, the client of the MWC will change as contract progresses from Stage One to Stage Two.

- 6.10.2 During Stage One - the ECI phase, the MWC will undertake services for Thames Water, which include supporting the Development Consent Order (DCO), developing the target price, design development and construction planning.
- 6.10.3 In parallel to the ECI phase, Thames Water will be working to establish and resource a best-in-class client organisation for the construction stage – a Future IP – in preparation for the later financing procurement. Before IP licence award, this Future IP organisation will also operate under Thames Water's control.
- 6.10.4 At (or before) financial close and the designation of the IP by Ofwat, the MWC contract and Future IP organisation will be transferred to the successful bidder of the IP procurement, providing it with the resources necessary to deliver the project.
- 6.10.5 From designation, the IP will become the MWC's client, issuing the (NTP) which progresses the contract into Stage Two.

6.11 Thames Water preparatory works

- 6.11.1 It is possible that Thames Water may also include the delivery or management of others undertaking preparatory works in the MWC's scope for Stage One prior to award of the IP contract. The scope of these works is currently being determined but they are likely to include typical early works such as utility diversions and site preparation.
- 6.11.2 The final scope will be set out in the MWC's contract at Tender Notice and, later, in the SIPR specification and Preparatory Works Notices.
- 6.11.3 The delivery and/or management of these preparatory works may extend beyond the establishment and designation of the IP. In such instances responsibility for such works will, as far as is practicable, be novated from Thames Water to the IP.

6.12 Stage One Verification Points

- 6.12.1 Stage One will have a series of Verification Points (VP) to enable progress monitoring up to a Target Price checkpoint. An opportunity will exist for the MWC to earn incentivisation amounts for on time delivery of Target Price elements, to be paid at NTP. These verification points are outlined in Table 6 below.

Table 6 - Proposed Stage One Verification Points

VP	Requirement to be met at VP	Indicative month of completion following contract award
1	ECI Team stood up as per tender commitment	+1
1	Conversion of tender delivery programme to an ECI working programme accepted by the PM	+1

1	Delivery Phase critical path accepted	+1
1	ECI phase deliverables plan accepted	+2
1	ECI phase dependencies plan accepted	+2
1	Construction methodologies developed and confirmed	+2
1	Quarterly programme checkpoint	+3
1	Alignment with DCO application complete - Checkpoint	+3
2	MWC prelims estimate complete	+1
2	Supply Chain (subcontracting plan) accepted by PM	+2
2	Key subcontract #1 confirmed	+3
2	Key subcontract #2 confirmed	+4
2	Key subcontract #3 confirmed	+5
2	Key subcontract #4 confirmed	+6
3	Construction methodologies confirmed and resource loaded integrated programme accepted	+8
3	Alternative construction design proposals submitted.	+4
3	ECI team composition checkpoint/ quality check	+4
3	Delivery phase critical path checkpoint/ quality check	+4
3	ECI phase deliverables plan check point	+4
3	ECI phase dependencies plan checkpoint	+4
3	MWC prelims estimate confirmed	+9
4	Time related changes/ special equipment/ preliminaries confirmed	+10
4	Alignment with anticipated DCO grant - Checkpoint	+12
4	Target price submission	+13
4	Target price acceptance	+15
4	Active change control (throughout programme but enhanced vigilance after target agreed)	+16

6.13 Design Roles and Responsibilities

6.13.1 As Figure 12 below illustrates, responsibility and liability for the design will evolve as the project develops.

6.13.2 From award of the Contract, the MWC will become the Principal Designer. The MWC's own design activity will need to work in parallel with the DCO Reference Designer (Thames Water's Technical Partner) as the DCO process continues. The Thames Water Technical Partner role is envisaged to be the DCO Reference

“design guardian” into the Delivery Stage.

- 6.13.3 Responsibility and liability for the “DCO Reference Design” sits with the Thames Water’s Technical Partner (TP) through to DCO grant.
- 6.13.4 The MWC as owner of the “Construction Design” holds responsibility and liability for the Construction Design from the date of award of the MWC Contract.
- 6.13.5 The Construction Design is progressed whilst the DCO Reference Design proceeds through examination. The Construction Design respects the constraints that are set in the DCO Reference Design and the DCO Grant.

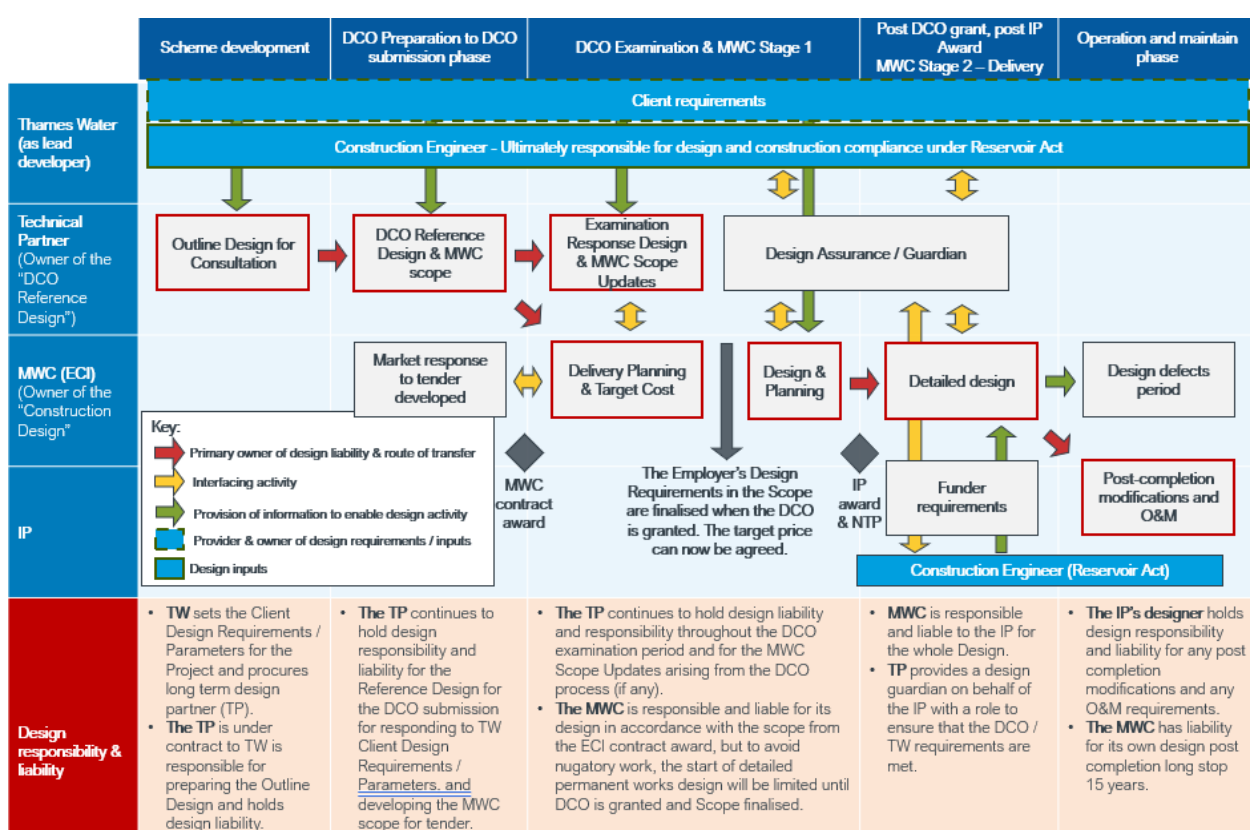


Figure 12 - Transfer of design roles and responsibility

Refer to Appendix C for an enlarged version of Figure 12

6.14 Incentivisation Strategy

The use of Option X22 “Early Contractor involvement (X22)” enables the MWC to be incentivised to help reduce the Client’s costs for specific project related activities which fall outside the costs that the MWC is usually reimbursed within the Target Cost. More detail on incentivisation is provided in the Heads of Terms “Term sheet” provided at Appendix A.



Appendix

7 Appendix A

7.1 THAMES WATER – SESRO Main Works Contract Heads of Terms (“Term Sheet”)

- 7.1.1 The information presented in the following Heads of Terms "Term Sheet" is in the course of development. We continue to work closely with stakeholders to ensure that the final Term Sheet that will be issued as part of the SESRO MWC procurement documents reflects their views (as is required under SIPR), as well as those of the market. Following the 17 March 2025 Market Engagement event, your views are being sought through a market sounding questionnaire, which we hope you will participate in.
- 7.1.2 This Term Sheet represents the key commercial principles that Thames Water (“TW”) intends to incorporate into the main works contract in relation to the South East Strategic Reservoir Option raw water storage solution (“SESRO”). References herein to “The Contractor” mean the MWC
- 7.1.3 This Term Sheet is not an exhaustive list of all provisions which are to be reflected in the main works contract between TW and the Contractor (the “Contract”). However it covers the items which TW considers to be of particular importance and which it would expect to be reflected as a minimum. TW reserves its right to make further adjustments to this Term Sheet.
- 7.1.4 With the exception of these paragraphs 7.1.2 to 7.1.7 this Term Sheet remains subject to contract and is not intended to create legal relations between or be legally binding upon TW or any party, nor does it constitute an offer to arrange or commitment by TW and TW shall be under no legal obligation to enter into the Contract.
- 7.1.5 This Term Sheet remains subject to:

7.1.5.1 obtaining all necessary and formal approvals to progress the Project (as defined below);

7.1.5.2 carrying out the necessary procurement process;

7.1.5.3 carrying out satisfactory commercial, legal and financial due diligence; and

7.1.5.4 agreeing and executing the Contract.

7.1.6 This Term Sheet and its contents are confidential to TW and no statement, announcement or other publicity relating to this Term Sheet may be made without the written approval of TW.

7.1.7 This Term Sheet and the Contract shall be governed by the laws of England and Wales and the Parties agree that the Courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of, or in connection with, this Term Sheet or their subject matter (including non-contractual disputes or claims). A person who is not a party to this Term Sheet shall not be entitled to enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999.

No.	Clause / Issue	SESRO
GENERAL		
1.	Parties and Other Key Stakeholders	<p>TW shall be the Client under the Contract and will appoint an entity to act as the Contractor.</p> <p>The Contractor will be novated to an Infrastructure Provider (“IP”) following appointment by TW of the IP (financial close) and the issue of the Notice to Proceed to Stage Two (see below). The future IP organisation will be created by TW ahead of appointment to support the smooth transition of management of the contract from TW to the IP.</p> <p>If the Contractor entity is an unincorporated joint venture a statement will be incorporated so that it is clear the Contractor’s liability will be on a joint and several basis.</p> <p><u>Other Key Stakeholders:</u></p>

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> It is intended that TW will be the single Client entity under the Contract but there are two other water companies that will have stakeholder interests in the success of the Project (Affinity Water (“AW”) and Southern Water (“SW)). The Contractor should expect there to be technical interfaces with the assets of AW and SW and for these entities to have monitoring and inspection rights throughout the Contract but the Contractor will be able to deal with the Client as a single point of instruction. Any engineers appointed by TW to oversee the design, construction and commissioning of the Project including those required pursuant to the Reservoir Act 1975. Ofwat, as the regulator of both TW and IP, will have an interest in the terms and operation of the Contract. The Contractor will support the Client (TW or IP as relevant) in its engagement with Ofwat, including in providing the necessary information required to enable regulatory review and approval at each stage.
2.	Background	<p>SESRO is a raw water storage solution comprising the construction of a new reservoir situated to the South-West of Abingdon in Oxfordshire (the “Project”).</p> <p>The Contractor will be appointed to design and build the SESRO assets (the “Works”). The Project involves the construction of multiple assets, including a fully bunded surface water reservoir, watercourse diversions and floodplain storage, the conveyance system (including pumps, tunnels, intake and outfall structures on the River Thames), associated infrastructure (including railway sidings, road diversions and an access road), recreational elements (including a visitor centre), environmental enabling works and landscaping works.</p>
3.	Form of Contract	The form of contract will be based on NEC4 Engineering and Construction Contract June 2017 (with amendments January 2023) incorporating Main Option C and certain Secondary Options (with further

No.	Clause / Issue	SESRO
		details provided in this Term Sheet), Y(UK)2 and Option Z (Additional Conditions of Contract) to amend the ECC standard terms in line with market positions for projects of a similar value, size and nature.
4.	Early Contractor Involvement	<p>Option X22 (Early Contractor Involvement) will be included in the Contract with amendments. The budget incentive is likely to be capped by reference to the Fee and may need to be amended to work alongside the Key Performance Indicators (see item 28 below).</p> <p>Stage One: The Contractor will work alongside TW and its Technical Partner to plan for delivery, identify and mitigate risk and value opportunities to prepare detailed estimates for delivery activities all within the prices submitted with its tender. The Contractor will submit its proposals for Stage Two (based on the proposals at contract award) which shall include the total of the Prices, which will be developed with strict reference to the:</p> <ul style="list-style-type: none"> • design and programme for the Works; • elements of cost committed to at tender (which may be up to c.80% of the price); and • a Pricing Information document which will be incorporated in the Contract at the point of award. This Pricing Information is currently being developed by the Client but will include (1) a development process for the total of the Prices for Stage Two; and (2) the tendered commercial data, which will be used as the basis for the development process. <p>A series of verification points will be established to manage the Contractor's Stage One activities. The timing of such verification points will be dictated by TW, to reflect the requirements of the IP and the innovation process. A Notice to Proceed will be issued to move from Stage One to Stage Two. The</p>

No.	Clause / Issue	SESRO
		<p>Contractor will only be instructed to proceed to construction in Stage Two after the Client approves the Contractor's proposals for Stage Two (including the agreement of the total of the Prices for Stage Two).</p> <p>The Client will have the right to terminate the Contract if certain conditions have not been met during Stage One (this break point during Stage One is currently anticipated to be 10 months after contract award). There will also be a Client right to terminate if no agreement is made in relation to the agreement on the total of the Prices for Stage Two (or any of the other Contractor's proposals for Stage Two). In such circumstances, the Client would take on any existing design and use it as the basis to tender any remaining Works via a replacement Contractor.</p> <p>Stage Two: The Contractor will implement Stage Two in accordance with the proposals it submitted at the end of Stage One.</p>
5.	Term including commencement and duration	<p>The Contract will commence on the date on which the Conditions Precedent (see item 6 below) have been satisfied and/or waived by the Client in its absolute discretion.</p> <p>The Project is expected to take approximately 10 years to construct and commission (8 years construction, 2 years to commission and fill). The relevant limitation period under the Contract will be 12 years from Completion of the Works.</p>
6.	Conditions Precedent	<p>The Contract shall be conditional upon (i.e. the Contractor shall not proceed to carry out any part of the Works until) the satisfaction (or waiver by the Client) of the Conditions Precedent. The Conditions Precedent shall include:</p> <ul style="list-style-type: none"> • the Contractor providing evidence of insurance (see item 37 below); • performance security being provided (see item 36 below); • the Contractor procuring sub-contractor direct agreements as required; and

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> written confirmation from the Client that the Conditions Precedent have been satisfied or waived. <p>There may also be certain Conditions Precedent linked to the issue of the Notice to Proceed and linked to the novation of the Contract to the IP (i.e. they will be conditions that the Contractor must satisfy before the Notice to Proceed is issued), such as the Contractor providing a duly executed funders' direct agreement in the agreed form.</p>
GENERAL OBLIGATIONS		
7.	Carrying out the Works	<p>The Contractor shall carry out the Works (without limitation) in accordance with:</p> <ul style="list-style-type: none"> all applicable laws and regulatory requirements (see specific comment in relation to TW's Licence and the IP's Licence at item Error! Reference source not found. below); the Scope for Stage One and Stage Two annexed to the Contract and developed for Stage Two during Stage One; a defined Standard of Care (where the Contractor must exercise the degree of skill, care, diligence and prudence normally to be expected of a suitably qualified and experienced contractor experienced with works of a similar nature, scale, complexity and value to the works under the same or similar circumstances); the programme; any relevant TW standards and policies; and Environmental, Social & Governance (ESG) requirements (including any relevant net zero targets and carbon mitigation measures).
8.	Design	<p>The Contractor will be provided with a DCO Reference Design which has been developed by the Client's Technical Partner. The Contractor will take responsibility for this DCO Reference Design as it will become part of the Construction Design (i.e. the detailed design and construction methodology) which</p>

No.	Clause / Issue	SESRO
		<p>the Contractor will be responsible for. A design review process will be incorporated to set out expectations in relation to time periods and submission details.</p> <p>The Works must be designed (without implying any limitation) to enable the Project to:</p> <ul style="list-style-type: none"> • meet any relevant performance requirements as stated in the Scope; • reach live capacity of the reservoir structure of 150Mm³ with c.8Mm³ dead storage and to reach the agreed deployable output of 271 MI/d; • meet the design life; and • comply with all applicable law and regulatory requirements including meeting the requirements of the Water Supply (Water Quality) Regulations 2016. <p>Secondary Option X15 (The Contractor's Design) will be incorporated but will be amended so that it is clear the Contractor has no liability where it is able to demonstrate that it has used the defined Standard of Care in the Contract.</p> <p>Secondary Option X10 (Information Modelling) will also be included but will be amended to accommodate project specific requirements. TW is currently developing the digital strategy to be used for the Project.</p>
9.	Licence and Regulatory Compliance / Necessary Consents	<p><u>TW's Licence:</u></p> <p>The Contractor shall acknowledge the terms of TW's Licence with the Regulator and agree not to put TW in breach of the terms of the Licence.</p> <p><u>IP licence:</u></p> <p>The IP licence, between (1) the IP and (2) the Regulator will be governed by the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SI 2013/1582) ("SIPR"). The</p>

No.	Clause / Issue	SESRO
		<p>Contractor shall acknowledge the basis of the IP Licence with the Regulator, and upon novation of the Contract to the IP, shall acknowledge the terms of the IP Licence agree not to put the IP in breach of the terms of the IP Licence.</p> <p>The IP Licence shall be treated as a Third Party Agreement (see item 30Error! Reference source not found. below) and will be made available before the Parties enter into the Notice to Proceed to Stage Two.</p> <p><u>Other:</u></p> <p>The Contractor shall cooperate with the Regulator and allow access and inspection rights and provide any information that may be required although there will be restrictions in relation to direct communications between the Contractor and the Regulator to ensure that the Client is always in control of the process.</p> <p>The Contractor will comply with all consents referenced in the DCO (see item 17 below for further information specifically on this) and any other consents not referenced in the DCO that are required in order to carry out the Works.</p> <p>The Contractor will assist the Client in procuring any consents that are the Client's responsibility.</p>
10.	Interface Responsibilities Matrix	<p>The Contract will recognise that there are interfaces between the Works and other assets owned by TW and the Co-Sponsors (Affinity Water and Southern Water). Once the details in relation to the interfaces have been finalised a contractual matrix will be developed that will clarify how responsibilities will be split between the Client and the Contractor (and any other relevant third party).</p> <p>This Interface Responsibilities Matrix will be incorporated into the Contract at the point of award. The Contractor will be required to advise if there are any items in the Interface Responsibilities Matrix which</p>

No.	Clause / Issue	SESRO
		<p>cause a concern and any practicalities around how this will be adopted in practice are expected to be finalised during Stage One.</p> <p>The Interface Responsibilities Matrix will be supplemented by general obligations in relation to Third Party Agreements (see item 30).</p>
11.	Cooperation / Other Parties	<p>TW is working with a number of interested parties including the Regulator and other public bodies and other contractors and consultants in order to deliver the Project. As such the Contractor is expected to work alongside these stakeholders to the defined Standard of Care expected under the terms of the Contract by allowing access and sharing information and generally cooperating and collaborating with them. Relevant stakeholders and third parties include (without limitation) the following entities during the carrying out of the Works:</p> <ul style="list-style-type: none"> • the Regulator; • TW's Technical Partner; • TW's Programme Partner; • any other package contractors; • any other parties in the Project team; • the local planning authorities; • the Environment Agency; and • Statutory Undertakers. <p>There are other third parties that will have an integral role in the development of this SIPR project that the Contractor is also expected to work with including (without limitation):</p> <ul style="list-style-type: none"> • the Co-Sponsors (Affinity Water and Southern Water including any appointed CAP for the Thames to Southern Transfer scheme);

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • any engineers appointed by TW to oversee the design, construction and commissioning of the Project including those required pursuant to the Reservoir Act 1975; • an Independent Technical Advisor to be appointed by TW, Ofwat, the Co-Sponsors and (once appointed) the IP to support oversight of costs for the purposes of ensuring that costs are eligible under the licence; • an Independent Certifier in relation to certification of the Works (including during the completion and commissioning process); and • the Joint Sponsor Board (with representatives from TW and the Co-Sponsors). <p>Any engineers appointed pursuant to the Reservoir Act will have all powers given to them pursuant to and in accordance with the Reservoir Act 1975 and instructions from those engineers may be given directly to the Contractor or via the Project Manager.</p>
12.	Other Principal Obligations on Contractor	<p>Stage One: the Contractor will be:</p> <ul style="list-style-type: none"> • the Principal Designer for the Construction Design leading up to agreement of the total of the Prices for Stage Two. • the Principal Contractor for any allowed non-invasive pre-DCO activity / surveys as instructed by TW. <p>Stage Two: the Contractor will be:</p> <ul style="list-style-type: none"> • the Principal Designer for the Construction Design. • the Principal Contractor for the whole site. <p>The Contractor must (but without implying limitation):</p>

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • employ staff who have the relevant qualifications / experience for the performance of its obligations under the Contract; • establish and maintain an appropriate information system (having regard to the Client's digital strategy); and • prepare operating manuals in accordance with the requirements in the Scope. <p>The Contract will contain standard legal compliance provisions in relation to Modern Slavery, Anti-bribery and Corruption, the Criminal Finances Act, Tax Evasion and the NIS Regulations. Any failure to comply with such provisions will require an indemnity from the Contractor.</p> <p>The Contractor will be expected to comply with current and applicable ESG obligations. The Contractor must explore opportunities to reduce the quantity of materials used and identify low carbon materials. The Contractor must comply with all environmental requirements, including (but without limitation) the additional in-river mitigation measures to protect fish, proposed by the Environment Agency and targets around Biodiversity Net Gain in accordance with the requirements of the Environment Act 2021.</p> <p>Option Z (Additional Conditions of Contract) will also include new clauses in relation to (but without limitation):</p> <ul style="list-style-type: none"> • Confidentiality • Data Protection • TUPE • Health and safety • Audit rights • Reporting and records

No.	Clause / Issue	SESRO
13.	Principal Obligations on Client	<ul style="list-style-type: none"> • Pay the Contractor in accordance with the payment provisions; • Obtain Planning (DCO) consent; • Provide suitable and sufficient water supplies to facilitate completion and commissioning of the Works (having regard also to the relevant requirements of the Co-Sponsors (Affinity Water and Southern Water) under the relevant Bulk Supply Agreements or otherwise); • Maintain adequate water quality; • Provide information and systems required to enable the Contractor to test, complete and commission the assets and integrate the same with the Client's and Co-Sponsors assets; and • Not hinder or prevent the Contractor from carrying out its obligations (except where expressly entitled pursuant to the terms of the Contract).
14.	Principal Rights of Contractor	The Contractor will have the right to access, use and occupy the Site for the purpose of the Works. Such access will be on a non-exclusive basis and be subject to any third party rights over the Site that are referenced in the DCO or that the Contractor is otherwise made aware of.
15.	Principal Rights of Client	<p>The Client shall be entitled to:</p> <ul style="list-style-type: none"> • a right of way through the Site to other facilities controlled by the Client under circumstances where reasonable, alternative means of access are not available; • a right of inspection at all times in relation to the Works; • the rights of an Independent Certifier and the Independent Technical Adviser to carry out any required inspections; • step-in rights where the Client has reasonable grounds to believe there may be a Contractor default until the Client is satisfied that there are no such grounds or the consequences of any default have been rectified • the right to provide certain services which, as per applicable law can only be provided by the Client e.g. maintenance of adequate water quality etc.; and

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> ownership of all fossils, articles of value or antiquity and other remains or items of geological or archaeological interest found during the course of the Works.
16.	Undertakings of the Contractor	<p>The Contractor shall provide undertakings and warranties including (without limitation) that it shall not:</p> <ul style="list-style-type: none"> sell, transfer, lend or otherwise dispose of (other than by way of security) the whole or any part of its business or assets which would materially affect the ability of the Contractor to perform its obligations under the Contract, without prior consent of the Client; undertake the performance of its obligations under the Contract otherwise than through itself or a subcontractor; change or cease its business or start any other business which is materially different from that to be carried on by it under the Contract; and comply with all its obligations as to declaration and payment of tax. <p>The above warranties and undertakings will be required to be given by the Contractor and its subcontractors.</p>
SITE		
17.	Development Consent Order (DCO)	<p>A development consent order (“DCO”) is required to construct, operate and maintain the Project as it is a project of national significance.</p> <p>The Contractor will assist the Client with securing the DCO and any further required land rights, including assisting with any associated flood risk assessments. The Contractor will comply at all times with the provisions of PA2008.</p>

No.	Clause / Issue	SESRO
		<p>The DCO is expected to be granted in Spring 2028. If there is any delay to the grant of the DCO or any challenge of the DCO terms raised during the judicial review period, the Client will pay the Contractor for prolongation costs (subject to a requirement to mitigate and within the parameters to be set out in the Contract) save where the reason for the delay or challenge is due to the Contractor. The Client will also have a right to terminate in the event of any prolonged delay around the DCO (see item 46 below).</p> <p>Once obtained the Contractor will comply with the terms of the DCO and not do anything to breach the DCO or to put the Client in breach of the terms of the DCO and it shall indemnify the Client if there is any such failure.</p>
18.	Site – general description including ownership	<p>Once the DCO is complete all relevant parts of the Site will be under the Client's ownership. TW currently owns the majority of permanent land requirements for the Project with minor land acquisition required for activities such as provision of conveyance shafts. As part of the DCO process the Contractor will assist the Client with securing any further required land rights.</p> <p>From Completion, the intention is that:</p> <ul style="list-style-type: none"> • the mechanical, electrical and other short-life assets will be transferred to TW, to operate, maintain and ultimately new/replace. • the IP will continue to own and maintain the civil assets (Reservoirs Act 1975).
19.	Access to the Site and Security	<p>The Contractor will have a licence / right to enter upon the Site in order to carry out the Works.</p> <p>The Contractor will liaise with the Client regarding access to any part of the Site from time to time in the Client's possession that may be a live asset. Any work in and around a live asset (in operation) will be carried out to the defined Standard of Care in the Contract so as to minimise any disruption to any operations.</p>

No.	Clause / Issue	SESRO
		<p>Unless stated in the DCO or unless the land has otherwise been acquired, the Contractor will be responsible for securing its own access to any third-party land that may be necessary to deliver the Works.</p> <p>The Contractor will be responsible for the security of the Site and protecting the Works from any project-specific risks, including real-time monitoring security and cybersecurity measures and systems to detect and respond to threats.</p>
20.	Physical conditions	The Contractor will have some relief in relation to physical conditions which will be primarily based on Clause 60.1(12) of the NEC terms with some amendments.
COMPLETION		
21.	Sectional Completion	Option X5 (Sectional Completion) will likely be included in the Contract but the detail of each section will be confirmed once the Scope has been developed.
22.	Completion of Construction and Commissioning	<p>The arrangements in relation to the completion and commissioning process and the roles (including the inspection rights) of TW, the IP, the Regulator, the Independent Certifier, the Independent Technical Adviser and the Contractor will be confirmed. Whilst there will be interfaces with other stakeholders and assets the Contractor will be primarily responsible for the commissioning and testing process.</p> <p>Commissioning tests will include dry and wet commissioning.</p> <p>The definition of Completion under the NEC ECC terms is likely to be developed and incorporate reference to any specific Project requirements. Provision of operating and maintenance manuals will be a condition of achieving Completion.</p>

No.	Clause / Issue	SESRO
23.	Delays	<p>Secondary Option X7 (Delay Damages) will be included and may be developed further. It is expected that delay penalties included in the IP Licence will be reflected in the Contract.</p> <p>The level of Delay Damages will be finalised in Stage One, prior to the agreement of the programme and total of the Prices, and having regard to the IP's requirements.</p> <p>The requirement to provide early warning notices will be incorporated as per standard NEC ECC terms with the circumstances for when such notices should be delivered to be developed.</p>
24.	Defect Correction Period	The defect correction period shall be 2 years from Completion of the last section of the Works, with certain exclusions for example in relation to any landscaping aftercare (which is more likely to extend to 4 years).
PAYMENT		
25.	Payment	<p>Payment terms will be based on the approach set out in the NEC ECC Main Option C and Y(UK) 2 with amendments to the due date and final date to align with the Client's payment processes. TW is developing the pricing and payment mechanism but the current thinking is as follows:</p> <ul style="list-style-type: none"> • During Stage One the Contractor will be entitled to recover payments in accordance with the Schedule of Cost Components and its Fee. Reference to the cost of people in the Schedule of Cost Components will be replaced with tendered day rates. • An Activity Schedule will be developed during Stage One to agree the total of the Prices for Stage Two. At the end of Stage One, the Activity Schedule will contain: (1) the Price for Work Done to Date in Stage One; and (2) the total of the Prices for Stage Two, assessed and agreed using the Pricing Information. The total of the Prices at the end of Stage One will include the actual agreed spend in Stage One. • During Stage Two, the Contractor will be paid its Defined Cost plus Fee.

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • The definition of “Disallowed Cost” will be amended to clarify the circumstances in which costs will not be included in the Defined Cost definition which will include where the Contractor is not proceeding regularly and diligently with the Works. • There will be a mechanism for independently verifying the Defined Cost. • The Contract will clarify the circumstances in which payment for off-site materials will be made. Where there are advance payments or offsite materials, bonds may be required. <p>Secondary Option X16 (Retention) will not be incorporated for Stage One but may be incorporated for Stage Two.</p>
26.	Tax	<p>The Contractor will perform its obligations in a fully tax compliant manner and to enable the Client to operate in a fully tax compliant and efficient manner, including providing all information and keeping all records required by HMRC.</p> <p>The Contractor shall comply with IR35, CIS Legislation and will be responsible for the Aggregates Levy.</p> <p>The Contractor acknowledges that the Client: (i) will be the party entitled to claim allowances under the Capital Allowances Act; and (ii) may have to pay charges in relation to the Climate Change Levy. The Contractor will endeavour to minimise the extent of any such charges.</p>
27.	Inflation	<p>During Stage One, there will be no inflation mechanism (in relation to the people rates or otherwise).</p> <p>A bespoke inflation mechanism will be incorporated as Secondary Option X1 in relation to Stage Two, with relevant changes to the NEC standard terms in order to reflect the relevant base date and a basket of indices. The application of this mechanism to the Prices will be clarified in due course.</p>

No.	Clause / Issue	SESRO
OTHER		
28.	Incentivisation / Key Performance Indicators	<p>The incentive structure will be confirmed by TW in due course but it is envisaged there will be three primary layers:</p> <p>(1) The operation of Main Option C as per the NEC terms where a share of the difference against the agreed total of the Prices will be shared between the Client and the Contractor.</p> <p>(2) The payment of a Budget Incentive Payment if the final Project Cost is less than the Budget as per Secondary Option X22 (note some amendments to X22 are likely).</p> <p>(3) The assessment and performance of the Contractor against certain defined Key Performance Indicators.</p> <p>Secondary Option X20 will be used in relation to KPIs but this will be developed and a bespoke arrangement for this Project will be adopted.</p> <p>The KPIs will be developed by the Client either pre-award and/or during Stage One.</p>
29.	Changes	<p>The Client shall be entitled to change the Scope at any time.</p> <p>The Contractor may propose changes to the Scope which shall be subject to the approval of the Client.</p> <p>The principles in Secondary Option X21 (Whole Life Cost) are likely to be included but any value engineering / proposals from the Contractor are expected to be made during Stage One wherever possible.</p> <p>The Client shall be entitled to change the Scope at any time. The Client will have an express right to be able to omit Scope. Where the Client exercises this right, the Client may give such omitted work to</p>

No.	Clause / Issue	SESRO
		another contractor. The Contractor will not be entitled to claim for loss of profit or other indirect or consequential losses where work is omitted.
	Third Party Agreements	<p>The Client will provide the Contractor with certain Third Party Agreements prior to contract award (and where not available at that time prior to the Notice to Proceed to Stage Two). The Contractor will acknowledge the terms of the Third Party Agreements and agree that it shall not put the Client in breach of the Third Party Agreements and where appropriate the Contractor may be asked to carry out the Client's obligations in the Third Party Agreements on its behalf.</p> <p>At this stage the full extent of any Third Party Agreements is not known as stakeholder interests are still being identified but we anticipate that this will include (without limitation):</p> <ul style="list-style-type: none"> • Bulk Supply Agreements to be entered into by TW with (i) Southern Water and (ii) Affinity Water; • Asset Protection Agreements to be entered into with Network Rail; • IP Licence between the IP and Ofwat; • Independent Technical Advisor Agreement; <p>The Contractor shall indemnify the Client for any failure to comply with these requirements.</p> <p>The same obligations will apply in relation to any Third Party Agreements provided by the Client after Contract award / Stage Two Notice to Proceed but the Contractor shall be entitled to claim for additional time/money if these are presented after the Prices or the Completion Date have been agreed.</p>
31.	Subcontracting	The Contractor may subcontract part (but not the whole) of the Contract, subject to the prior written consent of the Client and provided that the Contractor will not be relieved or excused of any obligation under the Contract as a result of such subcontracting.

No.	Clause / Issue	SESRO
		<p>Any proposed subcontracts should step down the relevant provisions of the Contract and as such are expected to be based on NEC4 ECC subcontract terms with equivalent amendments.</p> <p>The Contractor will need to confirm at tender stage if it is relying on any “Key Subcontractors” in order to deliver its proposals in Stage One and/or Two. Any replacement subcontractor must be of equal or better calibre and financial standing to the original Key Subcontractor.</p> <p>The Contractor shall procure that certain defined Subcontractors are obliged to enter into a collateral warranty in favour of the Client or any nominated Beneficiaries (see item 43Error! Reference source not found.). The criteria for these subcontractors will be developed but will be by reference to the nature of the works packages and/or the value of the packages. All subcontractors will design responsibility will be required to provide warranties.</p>
32.	Assignment and Novation	<p>The Client shall have the right to assign without the Contractor’s consent, including assignment by way of security from the IP to its funders.</p> <p>TW will novate the Contract to the IP upon issue of the Notice to Proceed to Stage Two. The terms of the novation agreement will be annexed to the Contract and will enable amendments to the Contract to be made as negotiated with the IP. This is required in order to be able to introduce the IP into Stage Two but will be addressed through a defined process.</p> <p>The Contractor may not assign, novate or charge the benefit or burden of the Contract without the consent of the Client.</p>
33.	Change of Control	<p>The Contractor must notify the Client of any Change of Control at least sixty (60) days in advance of the same and must consult with the Client concerning the potential effects of the Change of Control.</p>

No.	Clause / Issue	SESRO
		<p>The Contractor must provide all information requested by the Client relating to the Change of Control. If required, the Contractor must provide replacement security documents.</p> <p>The Client has the right to terminate the Contract if it does not approve the relevant Change of Control.</p>
34.	Intellectual property (IP)	<p>Secondary Option X9 (Transfer of Rights) will not be incorporated in favour of a bespoke intellectual property rights clause which is in line with current market positions.</p> <p>Intellectual Property Rights (IPR) will be defined by reference to Foreground and Background IPR.</p> <p>Background rights are IP which already exist and are owned by the Contractor which are used to provide the Works. Foreground rights are IP created after the parties enter into the Contract, during the provision of the Works (which might be customised products or adaptations to products or materials used in the Works).</p> <p>The Contractor will retain ownership of its Background IP, but will grant the Client an irrevocable, non-exclusive and royalty free licence with the ability to grant sub-licences to third parties. The Client will also retain ownership of its Background IP.</p> <p>The Client will own all rights in any Foreground IP but will grant the Contractor an irrevocable, non-exclusive and royalty free licence with the ability to grant sub-licences to third parties in respect of any intellectual property developed during the Contract.</p> <p>The Contractor will be required to indemnify the Client from and against all claims made against it and all losses incurred by it arising out of any infringement or alleged infringement of Intellectual Property Rights of any third party.</p>

No.	Clause / Issue	SESRO
		<p>Treatment of IP in the event that Stage Two does not proceed or in the event of termination will be addressed in the Contract.</p> <p>Any additional IP requirements relating to IPR will also be included in the Contract. These may only become known at the point of Stage Two Notice to Proceed and in that case will be incorporated in the novation agreement to the IP.</p>
35.	Funders	The Contractor must comply with any due diligence requests from the incoming IP and its funders.
LIABILITIES		
36.	Performance Security	<p>The Contractor will be obliged to provide the following performance securities in favour of the Client:</p> <ul style="list-style-type: none"> • a parent company guarantee from an acceptable parent company (Secondary Option X4) in the template form to be annexed to the Contract; and • legal opinion(s), if the Contractor/its Guarantor is not a UK entity. <p>In order to support the IP's credit rating, the Contractor will be asked for a default based performance bond (Secondary Option X13) in the template form annexed to the Contract once prices for procuring the performance bond have been received.</p>
37.	Insurance	TW is considering its options for an Owner Controlled Insurance Programme (OCIP) for the Project. In the event that an OCIP is implemented, it would be expected to cover: (i) public liability; (ii) sudden and

No.	Clause / Issue	SESRO
		<p>accidental pollution; and (iii) Contractor's All Risks. The OCIP is also expected to be made available to subcontractors.</p> <p>The Contractor would be required to provide: (i) professional indemnity insurance; (ii) employer's liability insurance; (iii) motor vehicle insurance; and (iv) any other insurances required by law. The levels and bases of the insurances required will be confirmed once TW has fully considered its options.</p> <p>At the point of Stage Two Notice to Proceed the IP may be required to take out and maintain the relevant project insurances. This is currently under consideration by TW.</p>
38.	Indemnities	<p>The Contractor will indemnify and hold harmless the Client in respect of any liability for losses incurred by the Client and in respect of third party claims made against the Client, including relating to:</p> <ul style="list-style-type: none"> • any personal injury to or death of any person whomsoever arising out of or in the course of carrying out the Works, except to the extent caused by the Client's negligence or breach; • any damage to property (including environmental pollution, damage or contamination) where such damage arises out of or in the course of carrying out the Works, except to the extent caused by the Client's negligence or breach; • breach of statutory duty and/or compliance, anti-bribery/corruption and Modern Slavery laws, NIS Regulations, Criminal Finances Act 2017, health and safety obligations and CDM regulations; • third party actions, claims, demands, costs, charges and expenses (including legal expenses on an indemnity basis) which arise out of or in the course of carrying out the Works, except to the extent caused by the Client's negligence or breach; • data breaches and IPR infringements; • breaches of Client policies/procedures; and • breach of TW's Licence/IP's Licence or the DCO.

No.	Clause / Issue	SESRO
39.	Force Majeure	The Contract will include market-standard force majeure provisions, including an associated Client's right to terminate.
40.	Compensation Events/other Supervening Events	<p>The compensation events will be based on the list of compensation events set out in Clause 60.1 of the NEC ECC terms which are noted in summary below and which will be amended (and in certain cases, narrowed) to reflect project specific matters, TW positions (which are subject to further development) and alignment with the IP (see below):</p> <ul style="list-style-type: none"> • 60.1(1): instructions to change the Scope but amended to also exclude changes made to resolve ambiguities/inconsistencies between the documents and instructions which are stated not to give rise to a compensation event • 60.1(2): the Client not allowing access/use by the access dates • 60.1(3): the Client not providing something by the date in the Accepted Programme • 60.1(4): the Project Manager's instruction to stop/not start/change a Key Date but amended to specify there is no entitlement where the stop notice is issued as a result of the Contractor's fault • 60.1(5): the NEC standard Client/Others interference compensation event will be amended to address the Client or Others not working in accordance with the Interface Responsibilities Matrix (see item 11 Error! Reference source not found.) • 60.1(6): the Project Manager/Supervisor not replying to a communication but amended to provide the Contractor must serve a reminder before the expiry of the period required • 60.1(7): the Project Manager giving instructions for dealing with objects of value or historical or other interest • 60.1(8): the Project Manager/Supervisor changing a decision previously communicated may provide relief only if the change is substantive/has a material impact on the Works • 60.1(9): the Project Manager withholding an acceptance (other than acceptance of a quotation for acceleration or for not correcting a Defect)

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • 60.1(10): the Supervisor instructing the Contractor to search for a Defect where no Defect is found but extended to exclude a search that is required because a Defect was found in a previous search and the instruction to search was reasonably given so as to establish the likelihood or extent of any further or similar Defect • 60.1(11): a test or inspection done by the Supervisor which causes unnecessary delay • 60.1(12): see item 20 in relation to physical conditions • 60.1(13): the NEC standard weather measurements compensation event is likely to be removed or adjusted to reflect a more bankable approach (and therefore also may be relief only). TW is also considering the impact of weather conditions on the testing, commissioning and completion processes and this will be addressed in the Contract. • 60.1(14): specific events which are the Client's liabilities • 60.1(15): the Project Manager certifying takeover of a part of the works before both Completion and the Completion Date • 60.1(16): the Client not providing materials, facilities and samples for tests and inspections as stated in the Scope • 60.1(17): the Project Manager notifying the Contractor of a correction to an assumption which the Project Manager stated about a compensation event • 60.1(18): certain breaches of contract by the Client which are not another compensation event • 60.1(19) is likely to be removed on the basis a separate force majeure clause will be agreed (see item 39 Error! Reference source not found. above); • 60.1(20) in relation to quotations for proposed instructions not being accepted will not be included • See comments at item 41 in relation to Change in Law <p>The compensation events for Stage One may be different to those for Stage Two and in some cases for Stage One may not be applicable given the nature of the activities during Stage One. The Contractor will</p>

No.	Clause / Issue	SESRO
		<p>not be entitled to a compensation event where any event arises as a result of its default (or any of its subcontractors).</p> <p>The compensation events will also be reviewed by reference to bankability considerations and in particular, there may be alternative categories of relief, including “Relief Events” that will provide relief from breach and an extension of time but not financial compensation (which may be the approach to some of the compensation events noted above). These are being worked through by TW as alignment with the IP Licence is required.</p> <p>There will be no deemed acceptance of the Project Manager under Clause 61.4 (or any other clause) of the NEC ECC terms.</p>
41.	Change in Law	<p>An amended version of Secondary Option X2 will be included to provide that where there is a qualifying Change in Law after the defined base date the Contractor shall be entitled to a compensation event. The Change in Law provisions will be influenced by the IP Licence requirements.</p> <p>In relation to Stage One the relevant base date is likely to be the tender return date and in relation to Stage Two the base date is likely to be the date the Notice to Proceed is issued.</p>
42.	Limitations of Liability	<p>Secondary Option X18 (Limitation of Liability) will be incorporated with amendments to reflect the Client’s commercial position.</p> <p>As a principle the Client’s and the Contractor’s liability will be limited to caps in Stages One and Two.</p> <p>The following items will be excluded from the Contractor’s liability cap:</p> <ul style="list-style-type: none"> • indirect/consequential losses; • the Contractor’s share (pain share) in Stage Two; • delay damages paid by the Contractor;

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • third party liabilities; • personal injury or death; • indemnities included with the Contract; • fraud and fraudulent misrepresentation; • insured risks; • liabilities arising as a result of abandonment, gross negligence, deliberate default, wilful or reckless conduct; • any sums recovered in respect of any liability (by way of payment, set-off or otherwise) by the Contractor from a subcontractor; • matters that cannot be limited by law; and • liability in relation to intellectual property, data protection or the other legal compliance obligations (e.g. Modern Slavery, Anti-bribery and corruption etc.). <p>Neither Party shall be liable for indirect or consequential losses but provision shall be made for certain losses to be treated as direct losses for the avoidance of doubt.</p>
43.	<p>Undertakings to the Client / Others</p> <p>Third Party Rights</p>	<p>Secondary Option X8 (Undertakings to the Client or Others) will be included in the Contract and amended to reflect the specific requirements of the Project. Template forms of warranty will be annexed to the Contract, reflecting current market practices. If warranties are not provided then the Client may withhold payment from the Contractor.</p> <p>The definition of “Others” (i.e. Beneficiaries) who are entitled to a collateral warranty will be kept relatively wide to capture any interested parties as at this stage of the Project stakeholder interests are still in development, but may include the IP and its funders.</p>

No.	Clause / Issue	SESRO
		The option to exercise Third Party Rights will also be reserved in the Contract as an alternative to requesting a collateral warranty at the Client's discretion with bespoke third party rights provisions incorporated (rather than Option Y(UK) 3).
TERMINATION		
44.	Suspension rights	<ul style="list-style-type: none"> • Contractor - The Contractor will have the right to suspend in accordance with the Housing Grants, Construction and Regeneration Act 1996 (as amended by the Local Democracy, Economic Development and Construction Act 2009 in the event of non-payment (Y2.5). • Client - The Client shall have the right to suspend the Works at any time.
45.	Contractor's termination rights	<ul style="list-style-type: none"> • Insolvency - The Contractor shall have the right to terminate in the event of any Insolvency Event (concept to be defined and added to the NEC terms) save where the terms of the Corporate Insolvency and Governance Act apply where termination is not permitted in certain circumstances or where the Client has entered special administration as referred to in the Water Industry (Special Administration) Regulations 2024 (or any analogous proceedings under applicable law). • Non-Payment - The Contractor shall also have the right to terminate in the event of non-payment as per Clause 91.4 of the NEC terms but a defined amount shall be inserted as the relevant threshold.
46.	Client's termination rights	<ul style="list-style-type: none"> • DCO – The Client shall be entitled to terminate if the DCO application is: (i) rejected; (ii) significantly delayed and/or (iii) subject to a judicial review. • Mid Stage One Break Point – There will be a right for the Client to terminate part way through Stage One if certain defined milestones have not been reached at that time or if it is unlikely in the Client's opinion that an acceptable total of the Prices will be achieved.

No.	Clause / Issue	SESRO
		<ul style="list-style-type: none"> • End of Stage One Break Point - There will be a right to terminate at the end of Stage One if the Contractor's proposals, including the total of the Prices, are not agreed and a Notice to Proceed is not issued. • IP – The Client will have a right to terminate if the IP does not agree the terms of the Contract and amendments cannot be agreed with the Contractor. • IP Licence – The Client will have a right to terminate if the IP's Licence is discontinued. • Clause 91 of the NEC terms - The Client shall be able to terminate for the circumstances referred to in clause 91 of the NEC terms. Some amendments to clause 91 may be made to: <ul style="list-style-type: none"> ○ accommodate other requirements referred to in this Term Sheet such as force majeure and change in control restrictions; and ○ clarify what “substantially failed to comply with its obligations” means in the context of the Contractor's obligations - for instance the Contractor's failure to comply with the Third Party Agreements or Licence(s) or DCO (amongst others) shall be regarded as a substantial failure. • Termination for Convenience - Secondary Option X11 (Termination by Client) will be included and a period of notice shall be given to the Contractor. <p>The termination provisions will reflect the IP Licence to the extent required. In Stage Two, any such rights would be subject to the funders' step-in rights under the Funders' Direct Agreement.</p>
47.	Consequences of termination	The NEC terms shall apply but any reference to A4 shall be deleted.

No.	Clause / Issue	SESRO
		<p>The Procedures on termination at Clause 92 of the NEC terms will be developed to ensure the Site is left in the right condition.</p> <p>Provisions will be included in relation to the transfer of information and materials in the event of a termination at the end of Stage One.</p> <p>Additional provisions to deal with consequences on termination derived from the IP Licence will need to be incorporated, e.g. in relation to termination of the IP Licence which is as a result of a breach by the Contractor.</p>
DISPUTE RESOLUTION		
48.	Disputes	<p>Any dispute or difference arising out of or in connection with the Contract (a “Dispute”) shall be escalated through an agreed dispute resolution procedure (to be based on Option W2), which will require escalation through the following stages:</p> <ul style="list-style-type: none"> • Senior Representatives • Adjudication • Expert Determination • Arbitration <p>Provisions will be included recognising the role of the Independent Technical Advisor in escalation processes as appropriate.</p>
49.	Governing Law and Jurisdiction	<p>The Contract shall be governed by and construed in accordance with the laws of England and Wales and the Parties agree that the Courts of England and Wales shall have exclusive jurisdiction to settle any</p>

No.	Clause / Issue	SESRO
		dispute or claim arising out of, or in connection with the Contract or its subject matter (including non-contractual disputes or claims) save for the purposes of enforcement.

8 Appendix B

8.1 Pricing Information Summary for Market Engagement

- 8.1.1 You will note having read the Term Sheet that we say the following:
- 8.1.2 "a Pricing Information document which will be incorporated in the Contract at the point of award. This Pricing Information is currently being developed by the Client but will include reference to:
- 8.1.3 (1) a development process for the total of the Prices "the Target Price" for Stage Two; and
- 8.1.4 (2) the tendered commercial data, which will be used as the basis for the development process".
- 8.1.5 The following is a summary of the developing Pricing Information that will be made available as part of the Procurement Documents. In addition to the summary some further explanatory information is also provided.
- 8.1.6 References herein to "The Contractor" mean the MWC.

8.2 Summary of the Proposed Approach

- 8.2.1 The key steps in the proposed pricing process from conclusion of the initial competition through to the end of Stage One is shown in Figure 13 and outlined below:
- 8.2.2 The tender documents will include the pricing process that will govern the development of the Target Price in Stage One and a Schedule of Quantities template for submission of the commercial data.
- 8.2.3 A consistent Schedule of Quantities is to be priced by all tenderers, which will be evaluated and scored by the Thames Water alongside other commercial award criteria. Thames Water will be seeking competitive but sustainable prices.
- 8.2.4 The successful tenderer's priced Schedule of Quantities will be bound into the contract and be known as the 'Preliminary Prices'. The Preliminary Prices will form the contractual baseline for Target Price development in Stage One.

- 8.2.5 The commercial competition will include a tendered Fee % and tendered Stage One team day rates, which will be used in the contract payment processes. Each will be fixed at contract award and be included in the Contract Data Part Two.
- 8.2.6 Following agreement of the Target Price prior to the end of Stage One, the commercial information used to establish the Target Price is redundant and is no longer used.
- 8.2.7 Payment to the Contractor during Stage Two is in the form of Defined Cost plus Fee, which is standard procedure for NEC4ECC Option C contracts.
- 8.2.8 During Stage Two, the Target Price is only changed in accordance with the Option C compensation events procedures.

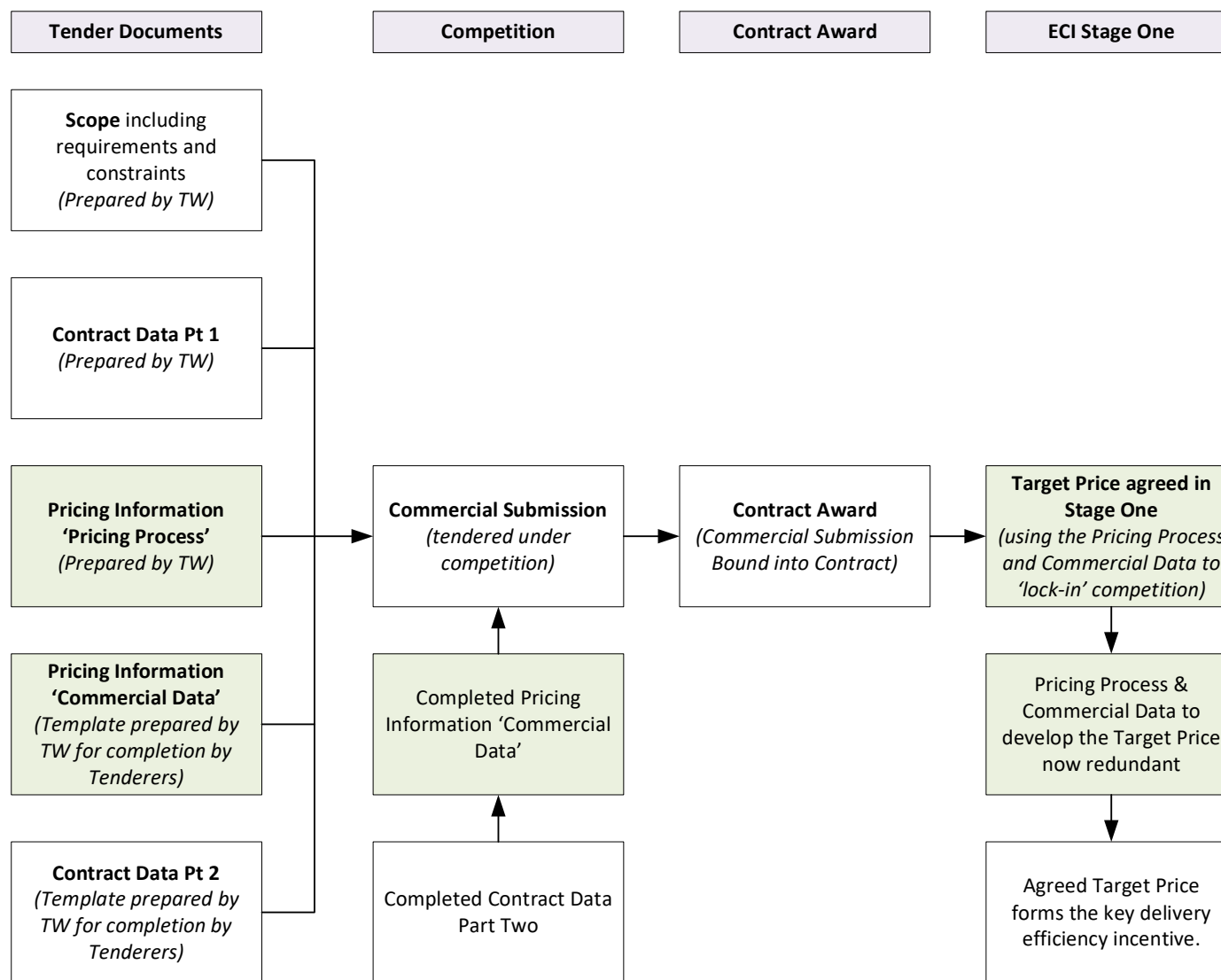


Figure 13 - Key steps in the proposed pricing process with Pricing Information and pricing process shown in green

8.3 Additional supporting information.

8.3.1 Pricing Information will be developed by the Client (Thames Water).

8.3.2 The Client is preparing the Stage One Target Price development process, which will be included in the tender documents. Upon award of contract the process will be fixed, its contents being under the control of the Client.

8.3.3 Tender Stage - Basis of the Commercial Competition

8.3.4 The approach for competing the Preliminary Prices is expected to be developed as follows:

8.3.5 As part of the tender documents, Thames Water will issue a comprehensive 'Schedule of Quantities' for SESRO construction that must be populated with rates and prices by the Tenderers. The Schedule of Quantities will be based on the Development Consent Order (DCO) design.

8.3.6 Time will be allowed during the tender period for tenderers to review and comment on the Schedule of Quantities after which the quantities will be locked down.

8.3.7 Following the lock-down, Tenderers will not be permitted to change the pre-populated quantities in the Schedule of Quantities, as these will be the best estimate available.

8.3.8 Rules for the population of rates and prices will be clear and require all Tenderers to price on the same basis.

8.3.9 If possible, for purposes of efficiency, the Schedule of Quantities will be embedded into a cost estimating system for use pre- and post-contract.

8.3.10 The priced Schedule of Quantities must include allowances for all Contractor risks and costs associated with their proposed delivery approach of the SESRO Contract requirements, which includes all matters arising from the terms and conditions and Scope.

8.3.11 The priced Schedule of Quantities must exclude allowances for matters where Thames Water has accepted the risk as described in the Pricing Information.

- 8.3.12 The priced Schedule of Quantities must include an amount for the Contractor's Fee.
- 8.3.13 The priced Schedule of Quantities must be consistent with the prices that have been, or expected to be, established with any 'relied upon' subcontractors, named at the selection stage.
- 8.3.14 The priced Schedule of Quantities will be evaluated as part of the commercial evaluation and, for the successful Tenderer, will be carried forward as the Preliminary Prices under the ECI contract.
- 8.3.15 Purpose of the Pricing Information.**
- 8.3.16 Under the NEC4 ECC Main Option C (Target Contract with Activity Schedule) with Secondary Option X22, the main purpose of the Pricing Information is to provide a contractual process for preparing a Target Price during ECI Stage One. The agreed Target Price will be the basis of an efficiency incentive that is used in ECI Stage Two.
- 8.3.17 Relevant extracts from NEC4 ECC Option C secondary option clause X22 are given below.

Clause X22.1(5) states that the:

'Pricing Information is information which specifies how the Contractor prepares its assessment of the Prices for Stage Two, and is in the document which the Contract Data states it is in.'

Clause X22.3(5) states that:

'The total of the Prices for Stage Two is assessed by the Contractor using the Pricing Information stated in the Contract Data'.

- 8.3.18 Failure of the Contractor to prepare a Target Price for Stage Two that can be accepted by the Project Manager during Stage One is a key risk associated with ECI. We intend to mitigate this risk with a good quality procurement process to collect competitively tendered (and sustainable) commercial data, and a Pricing Information document that contains comprehensive and clear procedures for development of the Target Price using the tendered commercial data.
- 8.3.19 We intend that the Pricing Information procedures will be implemented by an experienced and knowledgeable team from both the Client and Contractor.

8.3.20 Stage One - Target Price Development Process (in line with the Pricing Information)

- 8.3.21 The Contractor is responsible for developing the detailed construction design and construction methodology in accordance with the Scope. The Scope will include constraints such as compliance with the DCO submission and any developments as the DCO Application proceeds through the examination phase. The Contractor will be paid the tendered staff rates plus a Fee for the services provided during Stage One.
- 8.3.22 The circumstances where the Preliminary Prices may be changed during Stage One will be termed 'Adjustment Events'. The draft proposed Adjustment Events are summarised in Table 7. Except for the reasons listed in Table 7, the Contractor will not be permitted to change the Preliminary Prices that were established under competition. For clarity, the circumstances where the Preliminary Prices will not change are set out in Table 8.
- 8.3.23 Note that the ECI Budget will be established by Thames Water prior to inviting tenders, included in the tender documents and the resultant Contract, and forms a high-level incentive for the Contractor to deliver an affordable solution. None of the circumstances set out in Table 7 would result in any change to the Budget. This is because the Budget figure is an out-turn value (albeit the risk of inflation is likely to remain with the Client) that includes an assessment of all project risks and opportunities from the outset.

Table 7 - Draft 'Adjustment Events'

Draft 'Adjustment Events'	
ECI Contract Stage One - Circumstances where the Preliminary Prices may change	
Scenario	Target Price Development Impact
Change of Scope Compensation event 60.1(1) occurs. To be developed to consider whether there will be any exclusions.	If there is a consequential change in quantities and/or rates contained within the Preliminary Prices from a change in Scope, then the Preliminary Prices are adjusted accordingly.

Draft 'Adjustment Events' ECI Contract Stage One - Circumstances where the Preliminary Prices may change	
Scenario	Target Price Development Impact
Change of access date Compensation event 60.1(2) occurs	If there is a consequential change in rates contained within the Preliminary Prices from a change of access date, then the Preliminary Prices are adjusted accordingly.
Change of key dates Compensation event 60.1(4) occurs	If there is a consequential change in rates contained within the Preliminary Prices from a change in key dates, then the Preliminary Prices are adjusted accordingly.
Correction of an assumption Compensation event 60.1(17) occurs in relation to the CE's listed above.	If there is a consequential change in quantities and/or rates contained within the Preliminary Prices from the correction of an assumption which the Project Manager stated about a compensation event [60.1(1), 60.1(2) or 60.1(4) only], then the Preliminary Prices are adjusted accordingly.
Change to the Site Information	If there is a consequential change in quantities and/or rates contained within the Preliminary Prices from a change to the Site Information, then the Preliminary Prices are adjusted accordingly.
Change of in Stage Two terms and conditions agreed between the parties.	If there is a consequential change in quantities and/or rates contained within the Preliminary Prices from a change to the Stage Two terms and conditions, then the Preliminary Prices are adjusted accordingly. The procedure is set out in the Pricing Information. Note that any changes must be permitted contract modifications (Procurement Act 2023).
Inflation X1 Price Adjustment for Inflation applies	The Preliminary Prices are adjusted for inflation at the end of Stage One using the index and base date in the Contract Data Part One. The base date is expected to be a date that is on or before the tender return date.
Change in Law	If there is a consequential change in rates contained within the Preliminary Prices from a change in Law during Stage One, then the Preliminary Prices are adjusted accordingly.

Draft 'Adjustment Events' ECI Contract Stage One - Circumstances where the Preliminary Prices may change	
Scenario	Target Price Development Impact
X2 Changes in Law applies	
<p>Contractor Proposed Scope Changes</p> <p>Clause 16 Contractor's Proposals. Changes of Scope at the Contractor's request that would reduce the amount the Client pays to the Contractor for Providing the Works</p>	<p>If the Project Manager accepts the Contractor's proposals and there is a consequential change in quantities and/or rates contained within the Preliminary Prices, then the Preliminary Prices are adjusted accordingly.</p> <p>Note. Before any Contractor proposed Scope changes are considered Thames Water must be satisfied that the Scope changes:</p> <ul style="list-style-type: none"> a) are be permitted contract modifications (Procurement Act 2023), and b) do not breach the constraints imposed by the DCO Reference Design / DCO grant.
<p>Whole Life Cost (WLC) efficiencies are offered by the Contractor and construction costs increase.</p> <p>The Contractor proposes that the Scope or Contract is changed to reduce the cost of operating and maintaining the asset <u>and</u> construction costs are increased.</p>	<p>If the Project Manager accepts the Contractor's WLC proposals, then the Preliminary Prices are increased accordingly.</p> <p>Note. Before any Contractor proposed Scope changes are considered Thames Water must be satisfied that the Scope changes:</p> <ul style="list-style-type: none"> a) are be permitted contract modifications (Procurement Act 2023), and b) do not breach the constraints imposed by the DCO Reference Design / DCO grant.

- 8.3.24 In relation to any agreed Contractor proposed Scope changes that reduce Thames Water's costs, the Target Price will be aligned with the new Scope. The Budget would be unchanged, this will allow the value of any cost savings from the changed Scope to be shared with the Contractor.
- 8.3.25 If the Contractor proposes, and Thames Water agrees, to any Scope or Contract changes that reduce both Thames Water's construction costs and whole life costs, then this would not be an Adjustment Event, and the Target Price will not be reduced.
- 8.3.26 If it is found that the quantities in the priced Schedule of Quantities were not correct, then this **would not be an Adjustment Event** and there would be no change to the Preliminary Prices, whether such change would be in the Client's or Contractor's favour.
- 8.3.27 For each Adjustment Event, the Pricing Information will set out the detailed assessment and adjustment determination procedure.
- 8.3.28 Where the Adjustment Event impacts quantities, Preliminary Price changes will be strictly limited to the quantities associated with the additional or reduced Scope only. There would be no re-opening or remeasurement of the baseline quantities that are included in the Schedule of Quantities. Any changes will operate on an 'add' or 'omit' basis with the original Schedule of Quantities unchanged. This will create a transparent audit trail associated with the development and agreement of the Target Price.

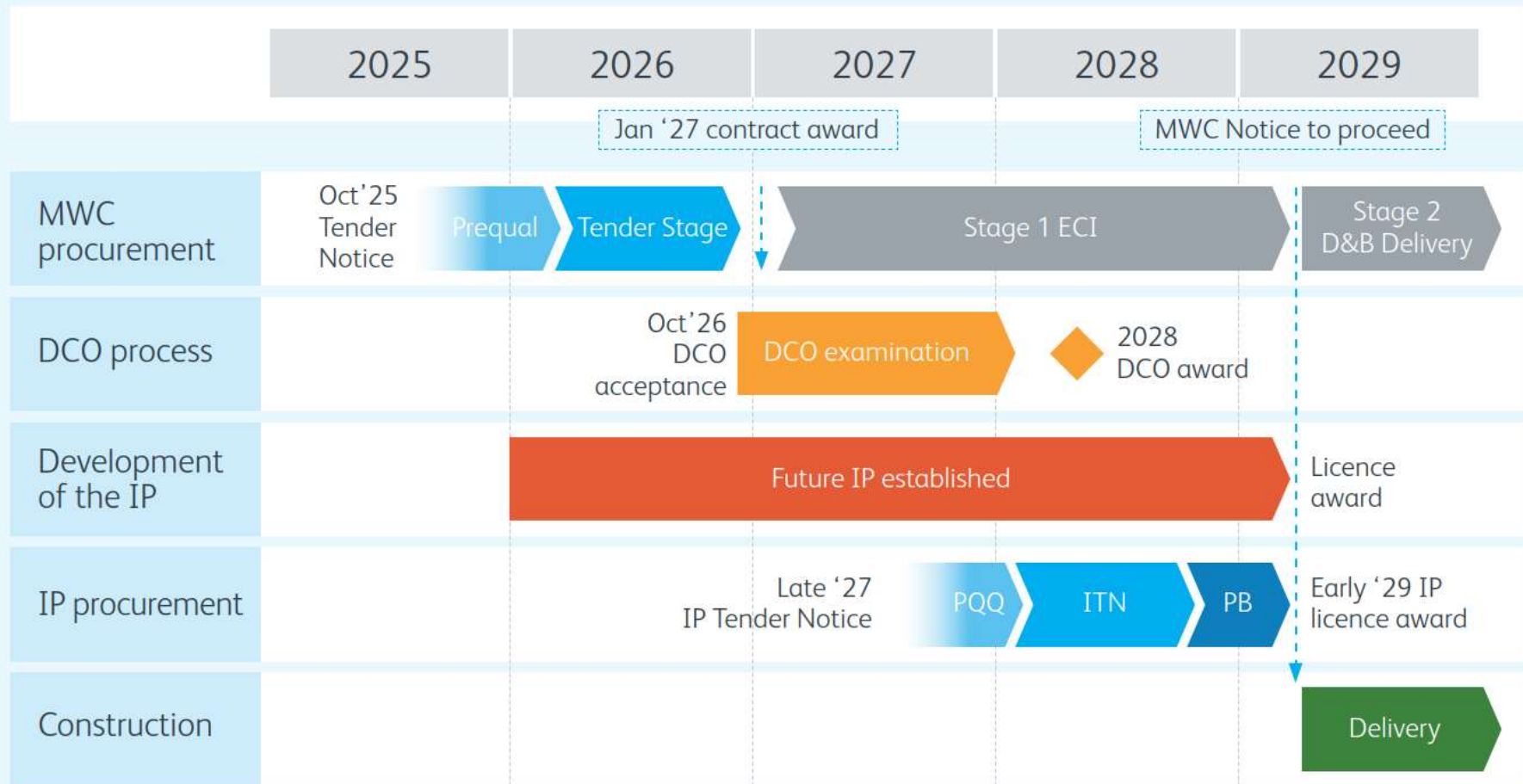
Table 8 - Circumstances where the Preliminary Prices will not change

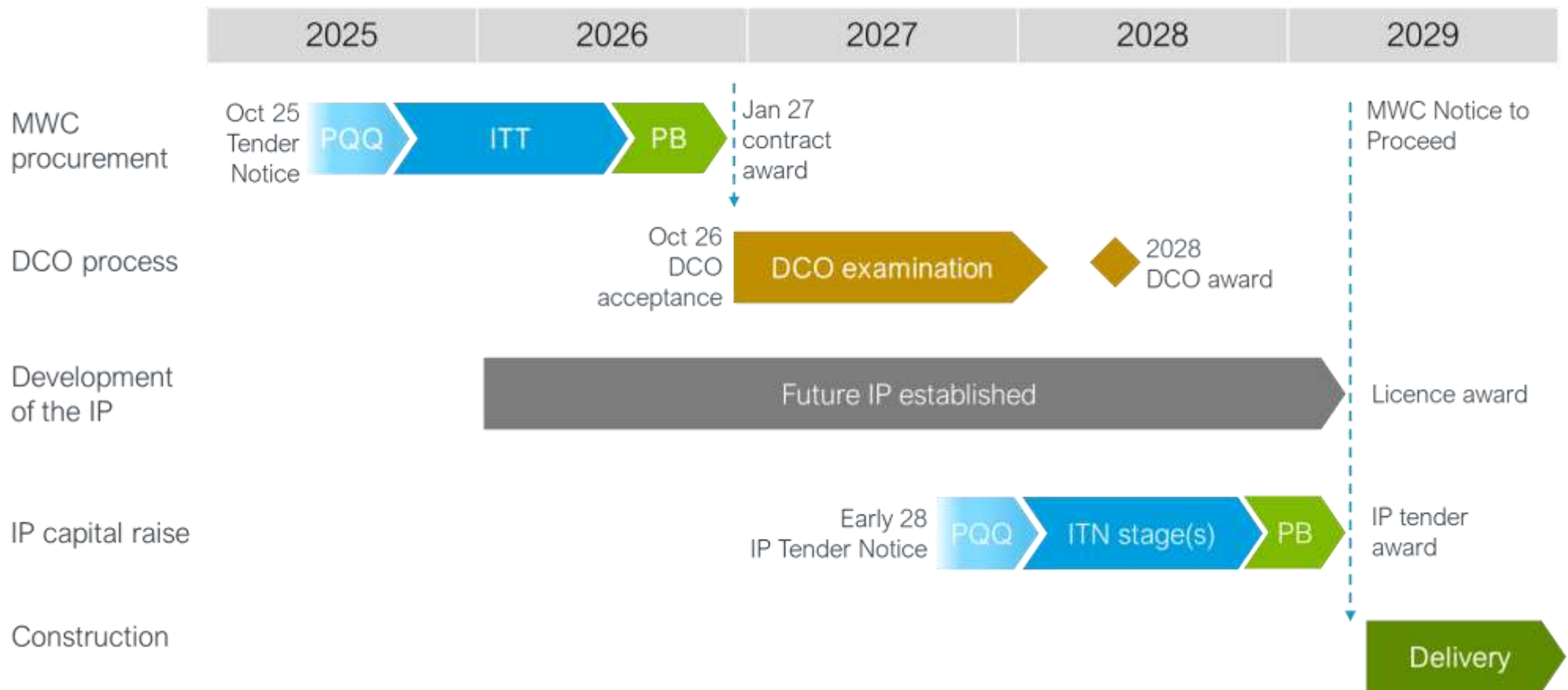
Draft ECI Contract Stage One - Circumstances where the Preliminary Prices will not change	
Scenario	Rationale
Contractor submitted Design Efficiencies The Contractor develops a design in accordance with the Scope where the quantities and/or costs or risks are reduced.	These scenarios increase Client confidence of delivery within the Target Price. This aims to avoid an incentive for the Contractor to conceal efficiencies or not developing good ideas until Stage Two. Under the incentive arrangements, the Client benefits from 50% of any savings against the unamended Target Price.

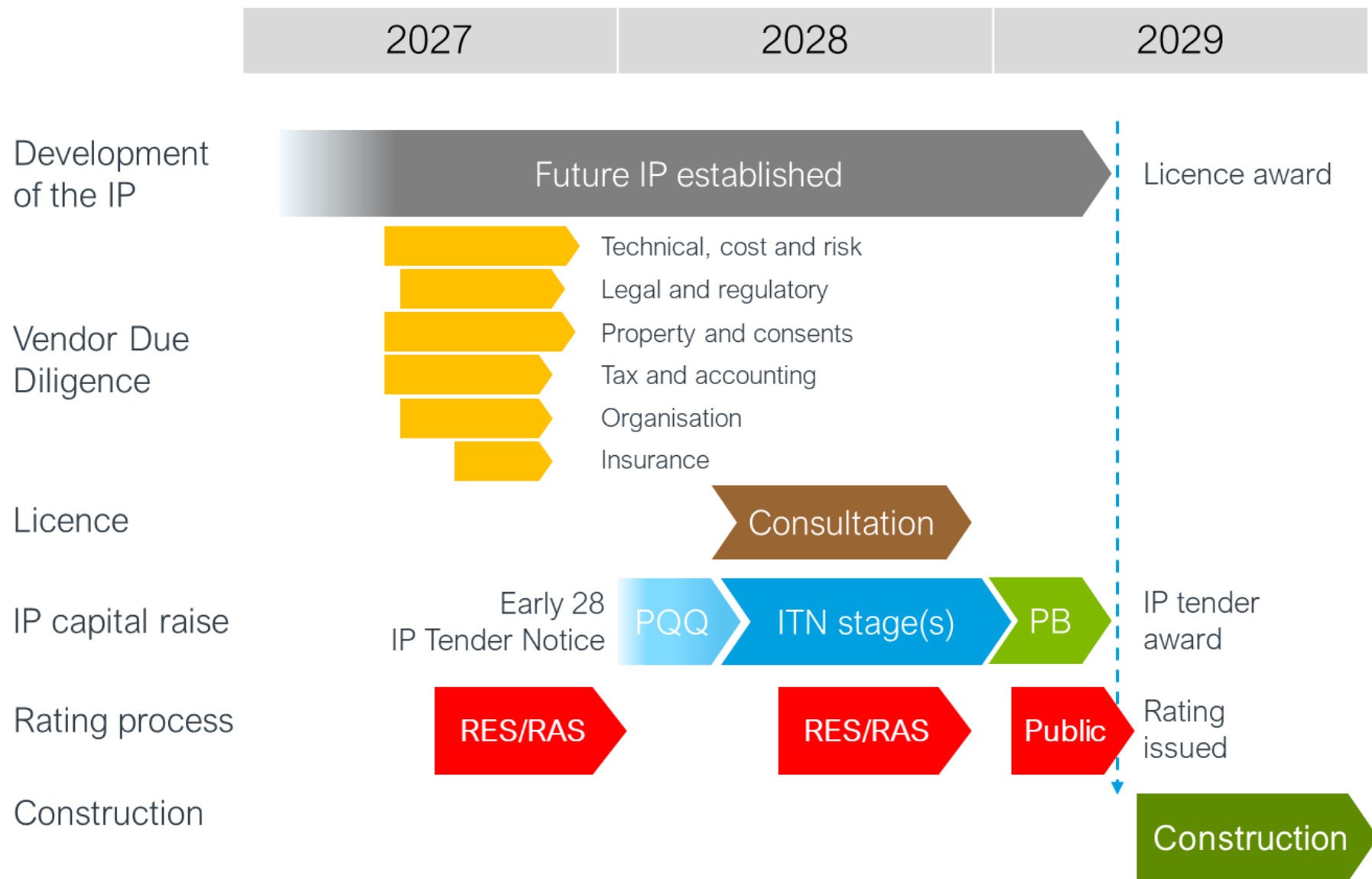
<p>Contractor submitted Construction Method Efficiencies</p> <p>The Contractor develops a construction method in accordance with the Scope where costs or risks are reduced.</p>	
<p>Whole Life Cost (WLC) efficiencies are offered by the Contractor and accepted by the Project Manager and construction costs decrease.</p> <p>The Contractor proposes to the Project Manager that the Scope or Contract is changed to reduce the cost of operating and maintaining the asset <u>and</u> construction costs are reduced.</p>	<p>If the Project Manager accepts the Contractor's WLC proposals, then the Preliminary Prices are unchanged as the Client will benefit during the operation and maintenance phase.</p> <p>Note. Before any Contractor proposed Scope changes are considered Thames Water must be satisfied that the Scope changes:</p> <ul style="list-style-type: none"> a) are be permitted contract modifications (Procurement Act 2023), and b) do not breach the constraints imposed by the DCO Reference Design / DCO grant.

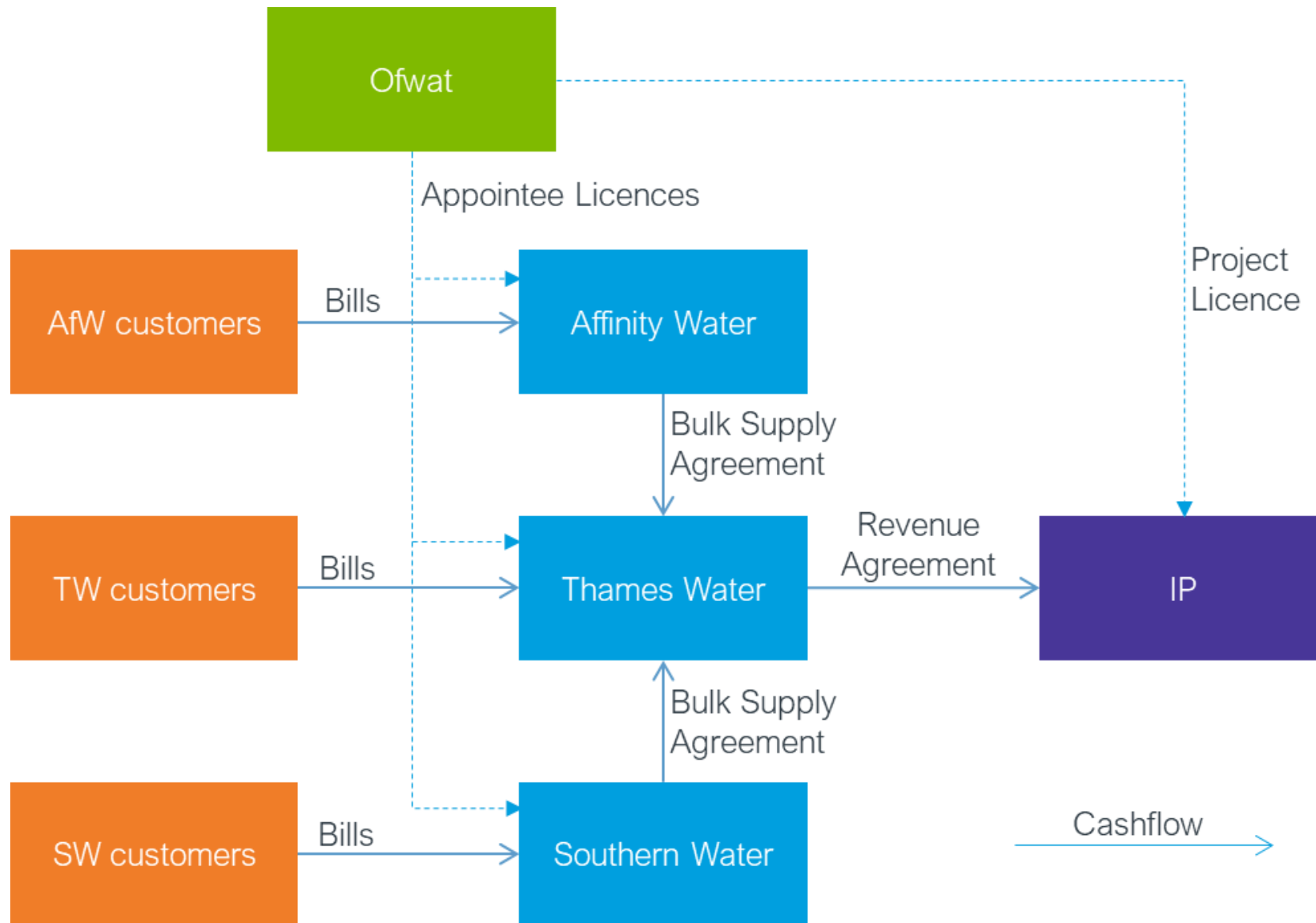
9 Appendix C

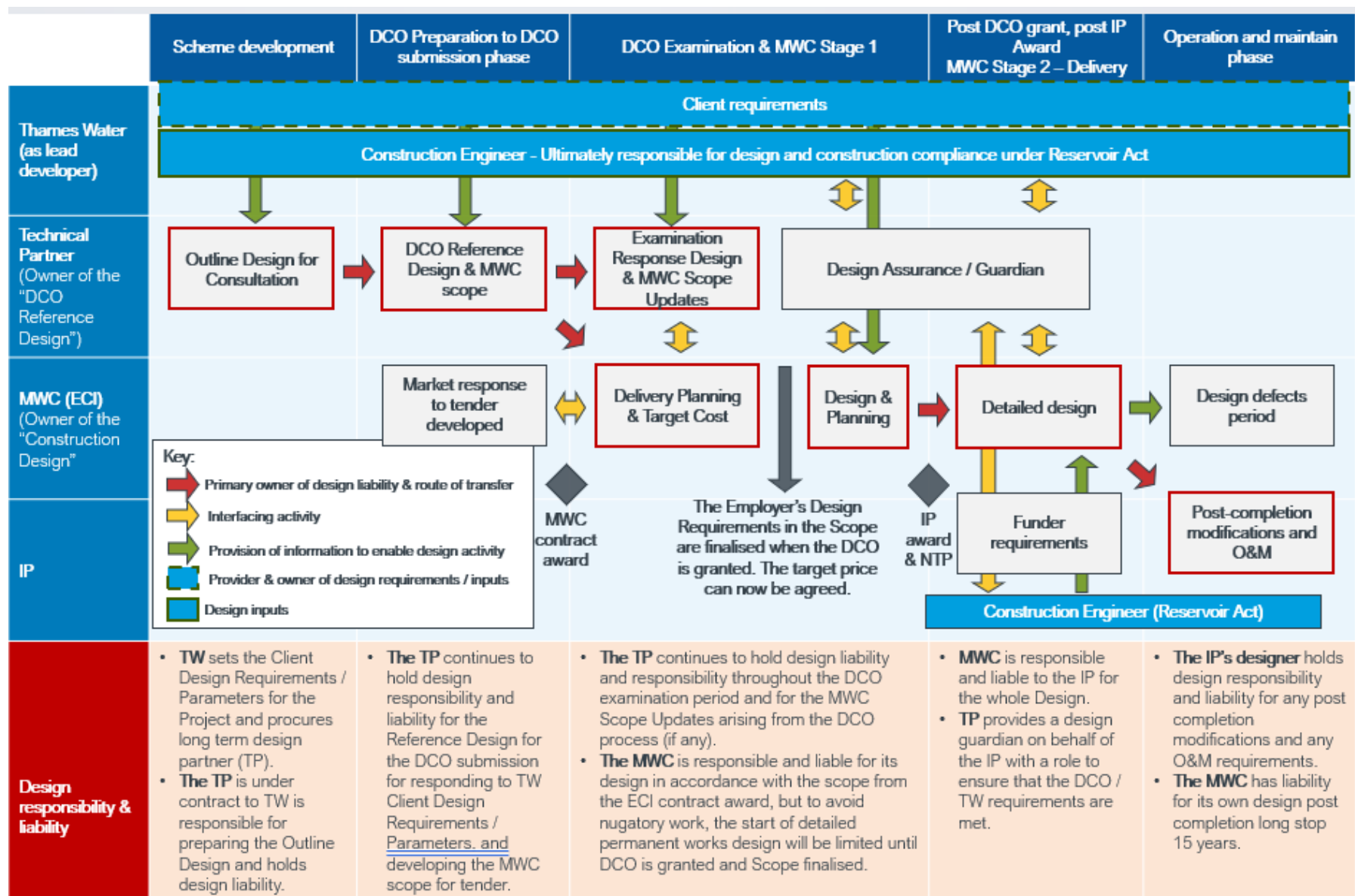
Process to identify the Main Works Contractor and investors to own and finance the IP













It's everyone's water